

Request for City Council Action

Date: November 25, 2002

To: Council Member Lisa Goodman, Community Development Committee
Commissioner Lisa Goodman, MCDA Operating Committee

Prepared by: Donna Wiemann, Senior Project Coordinator, Phone 612-673-5257

Approved by: Chuck Lutz, Interim MCDA Executive Director _____

SUBJECT: 1900 Central Avenue VOA of Minnesota Project: A Public Hearing to Approve the 1900 Central Avenue Housing Development Project and TIF Plan, Modification No. 92 to the Common Project, and Modification No. 4 to the Central Avenue Redevelopment Plan.

Previous Directives: In 1997, the Board authorized the issuance of a joint RFP with Hennepin County for development proposals. Three proposals were received; the community and MCDA staff preferred the proposal by Summit Environmental to rehab the existing structure for their company headquarters, however, it was ultimately withdrawn due to costs and time constraints. In early 2000, the Board gave exclusive development rights to Silver Creek Development to build a 100 unit apartment building with some commercial space and underground parking. The developer was unable to close the financing gap and withdrew the proposal early in 2001.

In April, 2002, the City Council approved up to \$624,000 of NRP Affordable Housing Reserve funds for the Volunteers of America of Minnesota's proposed senior housing project at 1900 Central Avenue. On August 23, 2002, the Board authorized staff to initiate the project analysis process for the Volunteers of America of Minnesota proposed 1900 Central Avenue project; to negotiate terms and conditions of a redevelopment contract; to grant exclusive development rights for six months; and to prepare a redevelopment plan and tax increment financing plan for the project. On October 25, 2002, the City Council granted preliminary to issue up to \$5.9 million of 501(c)(3) Multi Family Revenue Bonds and granted approval to Hennepin County HRA to exercise its powers in the City with respect to the project.

Ward: Third Ward.

Neighborhood Group Notification: The Holland Neighborhood Improvement Association (HNIA) has reviewed the development proposal on several occasions and

Crown Roller Mill,
105 Fifth Ave. S., Suite 200
Minneapolis, MN 55401-2534
Telephone: (612) 673-5095
TTY: (612) 673-5154
Fax: (612) 673-5100
www.mcda.org

Equal Housing and Employment Opportunities

on July 11, 2001, HNIA, on behalf of Volunteers of America of Minnesota, submitted a request for \$624,000 of NRP Affordable Housing Reserve funds.

Consistency with *Building a City That Works*: The proposed development is consistent with Goal 2: Ensure that an array of housing choices exist to meet the needs of our current residents and attract new residents to the city and Goal 5: Participate in partnerships to achieve common community development objectives.

Comprehensive Plan Compliance: The proposed reuse of this site is consistent with the Comprehensive Plan.

Zoning Code Compliance: In compliance.

Impact on MCDA Budget: (Check those that apply)

- ☒ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

Living Wage / Business Subsidy: NA.

Job Linkage: Will comply.

Affirmative Action Compliance: The project will comply.

RECOMMENDATION:

City Council Recommendation: The Interim Executive Director recommends that the City Council approve the attached resolution adopting the 1900 Central Avenue Redevelopment Plan, the 1900 Central Avenue Tax Increment Finance Plan, Modification No. 92 to the Common Project, and Modification No. 4 to the Central Avenue Redevelopment Plan.

MCDA Board Recommendation: The Interim Executive Director recommends that the Board of Commissioners approve the attached resolution adopting the 1900 Central Avenue Redevelopment Plan, the 1900 Central Avenue Tax Increment Finance Plan, Modification No. 92 to the Common Project, and Modification No. 4 to the Central Avenue Redevelopment Plan.

PROPERTY INFORMATION

The development site at 1900 - 1918 Central Avenue N.E. is a 38,000 square foot tax-forfeit site owned by Hennepin County. It is located on the northwest corner of Central Avenue and 19th Avenue N.E. The intersection is a retail/commercial node and there is a variety of retail goods and services within three blocks north and south of the intersection. There are a variety of restaurants in the area as well as a Walgreen's drugstore, discount retailers, library, police station, and other housing projects. Bus service extends along Central Avenue connecting the area conveniently with downtown and other areas of the Twin Cities.

In 2001 the County received a Department of Transportation Economic Development Grant to cleanup the 1900 portion of the site which involved demolition of a building that originally housed a plating company. The MCDA owned the adjacent three lots located at 1910, 1914 and 1918 Central Avenue N.E. (formerly "Eich Motors property") for five years. In early 2001 the MCDA and Hennepin County entered a Memorandum of Understanding (MOU) covering, among other matters, the manner in which the MCDA will reconvey the MCDA properties to the County for environmental cleanup purposes and the County and MCDA agree to jointly consult and confer regarding the sale of the properties. The term of the MOU was from March 15, 2001 through June 30, 2002. At this time the environmental cleanup work has been completed and the MCDA and Hennepin County have entered into Amendment #1 to the MOU extending the term until December 31, 2002.

BACKGROUND

The MCDA and Hennepin County jointly issued a Request for Proposals in the fall of 1997. Three responses were received from Summit Environmental (company headquarters), New Hope Ministries (church), and Accessible Resources (accessible housing with commercial). Summit Environmental was selected by staff and the community, but they ultimately withdrew due to cost and time constraints.

Subsequently, Silver Creek Development submitted a proposal to build a 100 unit market rate apartment building with some commercial and underground parking for the entire block fronting Central Avenue from 19th to 20th. The MCDA provided a six month exclusive development rights to Silver Creek Development, however, the developer was unable to close the gap and withdrew the proposal early in 2001.

Finally, the Volunteers of America of Minnesota submitted a preliminary proposal to the community and to the MCDA for 66 units of senior housing and 17,000 square feet of ground floor commercial. The proposal also encompassed using all of the Central Avenue block from 19th to 20th. In June, 2001, the MCDA informed VOA of Minnesota that the MCDA would not consider other developments for this site until the organization had the opportunity to fully develop their proposal.

In February, 2002, the VOA of Minnesota notified NRP, the MCDA, and Holland Neighborhood Improvement Area of some changes in the proposed development. It was determined that it was not economically feasible to acquire 1920, 1926 or 1928 Central Avenue and, therefore, these three privately-owned properties were being dropped from the development site area. As a result, the development was redesigned as a four-story, mixed-use project including 51 units of housing for senior citizens and approximately 7,000 square feet of commercial/retail space. In April, 2002, the project was awarded \$624,000 of NRP Affordable Housing Reserve funds.

INFORMATION ABOUT APPLICANT

The borrower will be VOA - 1900, LLC. This is a Minnesota single asset limited liability company. The sole member is Volunteers of America of Minnesota, a qualified 501(c)(3) non profit organization. VOA of Minnesota is one of the oldest non-profit organizations in Minnesota responding to major social issues since 1896. Their services include congregate dining and home delivered meals, home health care, homemaker and chore services, senior citizen centers, senior day programming, legal and protective services and volunteer programs for seniors.

PROPOSED DEVELOPMENT

The Volunteers of America of Minnesota, a qualified 501(c)(3) non-profit organization, proposes to develop a seniors-only independent apartment building consisting of 51 apartment units, 70 underground and surface parking spaces and approximately 7,000 square feet of retail commercial space (located on the ground floor). The proposed building will be 84,732 sq. ft. and have four floors with one level of below ground parking.

The ground floor of the project will front Central Avenue and will be rented for retail and commercial use. The second through fourth floors of the development will be housing units. There will be 9 one-bedroom units, 18 one-bedroom units with dens, and 24 two-bedroom units. Appliances include a refrigerator, stove, microwave, dishwasher and disposal. Eleven units (20%) will be affordable to people with incomes at or below 50% of the area median income. The unit sizes and proposed rents are as follows:

	<u>BEDROOM MIX</u>	<u>UNIT SIZE</u>	<u>PROPOSED RENT</u>
	Market:		
2	One bedroom units	697 sq. ft.	\$820
15	One bedrooms with den	886 sq. ft.	\$925
23	Two bedroom units	935 sq. ft.	\$980

Affordable:			
7	One bedroom units	697 sq. ft.	\$620
3	One bedrooms with den	886 sq. ft.	\$740
1	Two bedroom	935 sq. ft.	\$860

The development fills a need for the segment of the senior population that wants to leave its current housing, but not the community. Based on the developer's market research, it is expected that senior residents living nearby will relocate to the project. VOA's commitment to residents will be to extend to them, on a fully voluntary basis, access to a comprehensive set of community-based services and supports.

PROPOSED FINANCING

The total development cost is estimated to be \$6,509,880. The proposed financing sources include 501(c)(3) housing revenue bonds, tax increment financing, NRP funds and developer's equity.

In April, 2002 the developer was awarded \$624,000 of NRP Affordable Housing Reserve funds. The developer is requesting that the City issue 501(c)(3) housing revenue bonds and requesting pay-as-you-go tax increment financing to help pay for the affordable housing component of the project. The proposed borrower of the bonds will be VOA - 1900, LLC, a Minnesota single asset limited liability company, the sole member of which is Volunteers of America of Minnesota, a qualified 501(c)(3) non-profit organization. The estimated sources and uses are as follows:

USES:

Acquisition:

Down Payment	\$ 25,000
Assurance Fees	7,500
Closing Costs	905
Construction Costs	4,798,824
SAC/WAC Charges	73,335
Tenant Improvements	140,000
Architectural & Engineering	195,700
Soil Test, Surveys, Phase I, Appraisal, Market and Traffic Studies	39,000
Legal	169,000
Letter of Credit Fees \$5,455,000 x .015 x 1 ¾ year	147,500
Other Financing Fees	177,500
Developer Fees	243,599
Construction Contingency	49,371
Construction Period Interest	180,000
Bond Capitalized Interest	30,000
Interest Rate Cap	37,400
Common Area Furnishings/Decorating	55,000

Start-up Replacement Reserve	12,750
Setting up Mgmt Office	25,000
Rating Agency	12,000
FNMA Underwriting Expense	5,600
Closing Costs & Title Policy	28,466
Marketing	51,000
Architectural Review Report	5,500
TOTAL	<u>\$6,509,880</u>

SOURCES:

FNMA Mortgage Loan (Series A Bonds)	\$5,319,000
Subordinated Series B Bonds	460,500
City NRP	624,000
VOA of Minnesota	106,380
TOTAL	<u>\$6,509,880</u>

As stated earlier in this report, 1900 Central Avenue is owned by Hennepin County. Hennepin County staff proposes to convey the property to the developer for \$258,405. The proposed payment terms are the payment of \$33,405 at closing and the remaining \$225,000 balance will be repaid at 6.5% interest rate over a ten-year term as follows:

- Interest-only payments for the first five years. The annual payment will be approximately \$15,450.
- Principal and interest payment during the last five years. The annual debt service payment would be approximately \$52,828.56.

In November, 2002, Hennepin County Board of Commissioners approved various actions designed to assist in the successful completion of this project, including conveyance of the land with payment over a ten- year period.

BOND INFORMATION AND TAX INCREMENT INFORMATION

VOA - 1900, LLC, has submitted an application to the City for up to \$5,900,000 in 501 (c)(3) bonds. \$5,319,000 of this total will be Series A senior bonds insured by the FHA under the FHA 221(d)(4) program. The bonds will be rated "Aaa" by Moody's Investors Service. \$460,500 will be Series B subordinated bonds that will be initially secured by an irrevocable Letter of Credit from Wells Fargo Bank. The bonds will be non rated and will be sold to either an institutional buyer or to sophisticated buyers meeting certain net worth and income thresholds. Following construction and upon project stabilization

(90% project occupancy for 90 consecutive days), the Series B bonds will be secured only by a second mortgage.

The 1900 Central Avenue Redevelopment Plan establishes a new redevelopment project area, establishes objectives for the redevelopment of the project area, identifies land uses for the redevelopment of the project area, designates parcels for disposition and conveyance to a developer for redevelopment, and authorizes the creation of new redevelopment activities described therein.

The 1900 Central Avenue Tax Increment District is estimated to produce \$808,000 for the project. Tax increment will be used to pay a portion of the eligible development costs.

With pay-as-you-go tax increment financing, the developer finances eligible public redevelopment costs under contract with the City or MCDA, in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the new development to be constructed by the developer. This approach reduces the financing risks for the City, since the developer is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

The new 1900 Central Avenue Redevelopment Project and Tax Increment District are created as a free-standing project area and tax increment district. The parcels included in the 1900 Central Housing Tax Increment Finance district remain within the existing Central Avenue Redevelopment Project Area, dated May 10, 1983. Because the Central Avenue Redevelopment Project Area is located within the Common Project of the City of Minneapolis, this Modification No. 92 to the Common Project and Modification No. 4 to the Central Avenue Redevelopment Plan have been prepared to accommodate the activities and financing related to the proposed project. However, the new 1900 Central Avenue Redevelopment Project Area and TIF District are **not** being incorporated into the Common Project and will **not** be subject to the existing Common Project obligations and commitments.

RECOMMENDATION:

City Council Recommendation: The Interim Executive Director recommends that the City Council: The Interim Executive Director recommends that the City Council approve the attached resolution adopting the 1900 Central Avenue Redevelopment Plan, the 1900 Central Avenue Tax Increment Finance Plan, Modification No. 92 to the Common Project, and Modification No. 4 to the Central Avenue Redevelopment Plan.

MCDA Board Recommendation: The Interim Executive Director recommends that the Board of Commissioners approve the attached resolution adopting the 1900 Central Avenue Redevelopment Plan, the 1900 Central Avenue Tax Increment

Report to the Commissioners
November 25, 2002
Page 8

Finance Plan, Modification No. 92 to the Common Project, and Modification No. 4 to the Central Avenue Redevelopment Plan.

This report was prepared by Donna Wiemann. For more information, call 612-673-5257.

11-25-02DW VOA 1900 CENTRAL MOD NO 92 AND MOD NO 4/Housing Dev/MF/Wiemann folder

Adopting the 1900 Central Redevelopment Plan, the 1900 Central Avenue Tax Increment Finance (TIF) Plan, Modification No 4 to the Central Avenue Redevelopment Plan, and Modification No 92 to the Common Development & Redevelopment and Common TIF Plan

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

Section 1.

Recitals

- 1.1 Pursuant to Laws of Minnesota 1980, Chapter 595, as amended, and the Minneapolis Code of Ordinances, Chapter 422, as amended (the "Agency Laws") the Housing and Redevelopment Authority in and for the City of Minneapolis (the "City") has been reorganized, granted additional powers, and designated the Minneapolis Community Development Agency (the "Agency") with the authority to propose and implement city development districts, housing and redevelopment projects and tax increment financing districts, all pursuant to Minnesota Statutes, Sections 469.001 through 469.134, and 469.174 through 469.179 as amended; and Laws of Minnesota 1971, Chapter 677 (collectively, the "Project Laws").
- 1.2 That by Resolution No 83R-356, duly adopted on August 26, 1983 the City of Minneapolis (the "City") approved the creation of the Central Avenue Redevelopment Project, dated May 10, 1983, which was further modified on August 28, 1987 by Resolution 87R-377, on January 13, 1989 by 89R-007, and on January 24, 1992 by 92R-30.
- 1.3 That by Resolution No 89R-530 duly adopted December 15, 1989 and approved December 21, 1989, the City of Minneapolis (the "City") has approved the creation by the Agency of the Common Development and Redevelopment and Common Tax Increment Financing Plans, (the "Common Plans") relating hereto, all pursuant to Minnesota Laws.
- 1.4 It has been proposed and the Agency has prepared, and this Council has investigated the facts with respect to a proposed 1900 Central Avenue Redevelopment Plan, a proposed 1900 Central Avenue TIF Plan, a proposed Modification No 4 to the Central Avenue Redevelopment Plan, and a proposed Modification No 92 to the Common Plans ("collectively, the Plans"). The Plans create a new free-standing project area (the "Project Area") and TIF district, and modify the existing Project Area and Common Plans to accommodate the activities and financing related to the proposed project, all pursuant to and in accordance with the Project Laws. The Plans designate property to be included within the boundaries of the Project Area, designate property that may be disposed of and conveyed to a developer, identify a budget for expenditures, reflect project activities and costs, and establish a housing TIF district; all pursuant to and in accordance with the Laws.

- 1.5 The Council hereby determines that it is necessary and in the best interests of the City at this time to approve the Plans to reflect project activities and costs in the Project Area.
- 1.6 The Agency and the City have performed all actions required by law to be performed prior to the adoption of the Plans, including, but not limited to, a review of the proposed Plans by the affected neighborhood groups and the Planning Commission, transmittal of the proposed Plans to the Hennepin County Board of Commissioners and the School Board of Special School District No 1 for their review and comment, and the holding of a public hearing after published and mailed notice as required by law.

Section 2. Findings for the Adoption of the Plans

- 2.1 The Council hereby finds, determines and declares that the objectives and actions authorized by the Plans are all pursuant to and in accordance with the Laws.
- 2.2 The Council hereby finds, determines and declares that the Plans will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the redevelopment of the Project Area by private enterprise as the proposed redevelopment removes blight and blighting influences on a formerly contaminated site, facilitates senior housing development, including the provision of low and moderate income rental housing for independent senior residents that will alleviate a shortage of decent, safe and sanitary housing for persons of low or moderate income as such income is determined by the Authority, pursuant to the Laws, enhance the city's tax base, and will serve as an impetus for the provision of needed community redevelopment, including commercial and retail opportunities.
- 2.3 The Council hereby finds, determines and declares that on July 31, 1998, the Council adopted by Resolution 98R-281 an Affordable Housing Policy for the City of Minneapolis documenting the growing shortage of decent, safe and affordable housing for low and moderate income families and individuals in the City. Evidence presented to support this finding and policy are listed in Exhibit 2 "Project Area Report and Site Eligibility" of the 1900 Central Avenue Tax Increment Finance Plan, and are on file at the Agency. It is therefore found that the establishment of the 1900 Central Avenue Redevelopment Project and TIF district is fully justified to facilitate public development activities and expenditures to alleviate the current shortage of decent, safe, and affordable housing for low and moderate income households in Minneapolis.
- 2.4 The Council further finds, determines and declares that low income housing is defined as housing affordable to families with incomes below 80 percent of the Metropolitan median family income. Further, twenty percent or more of the residential units of the proposed development must be occupied by individuals whose income is fifty percent or less of area median income, and these units will have rent and income restrictions to ensure their availability as low income housing. These units will remain affordable to individuals whose income is 50 percent or less of the area median income, and therefore, the

1900 Central Avenue Project does comply with the income requirements for a qualified rental project, and meets the income requirements necessary for the creation of a Housing TIF District.

- 2.5 The Council hereby finds, determines and declares that moderate income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the Metropolitan area median family income; and further, moderate income is defined for this purpose in terms of the income levels for which the market does not provide housing without public assistance. In addition, 469.002, Subdivision 18, defines moderate income persons as “persons and their families whose income is not adequate to cause private enterprise to provide without governmental assistance a substantial supply of decent, safe, and sanitary housing at rents or prices within their financial means”.
- 2.6 The Council further finds, determines and declares that the land in the Project Area would not be made available for redevelopment without the financial aide to be sought.
- 2.7 The Council further finds, determines and declares that the Plans conforms to the general plan for the development or redevelopment of the City as a whole. Written comments of the Planning Commission with respect to the Plans were issued, are incorporated herein by reference, and are on file in the office of the City Clerk.
- 2.8 The Council further finds, determines and declares that the 1900 Central Avenue TIF District is a housing district pursuant to Minnesota Statutes, Section 469.174, Subdivision 11.
- 2.9 The Council further finds, determines and declares that the 1900 Central Avenue TIF Plan affords maximum opportunity, consistent with the sound needs of the City as a whole, for the development of the TIF District by private enterprise as the proposed development is necessary in order to finance a portion of the public redevelopment activities necessary to implement the project, in order to relieve the current shortage of decent, safe, and sanitary housing for persons of moderate or low income and their families in Minneapolis; and further, that tax increment assistance is being utilized to subsidize the extraordinary cost of providing affordable housing at this site.
- 2.10 The Council further finds the creation of this TIF District is in the public interest because it will facilitate the development of a mixed-income housing project which will provided needed housing for moderate and low income persons and families, in addition to retail space and parking.
- 2.11 The Council further finds additional public benefits will include blight remediation, tax base enhancement, economic integration, and increased neighborhood livability.
- 2.12 The Council further finds that in the current real estate market, new rental housing affordable to persons in this income range is not being developed within the City, except with governmental assistance, thereby this project does qualify for public

redevelopment assistance. Further, in order to finance public redevelopment costs with revenue from a housing TIF district, Minnesota statutes, Section 469.1761, Subd. 3, requires that “for residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. A property also satisfies the requirements of section 142(d) if 50 percent of the residential units in the project are occupied by individuals whose income is 80 percent or less of area median gross income. The requirements of this subdivision apply for the duration of the tax increment financing district.” It is found that at least 20 percent of these units will have rent and income restrictions to ensure their availability as low income housing and will remain affordable to individuals whose income is 50% or less of the area median income for at least the period of time provided in Minnesota Statutes, Section 469.1761, therefore the project does comply with the income requirements for a “qualified Residential rental project” and meets the income requirements necessary for the creation of a Housing TIF District. Further it is found that 100 percent of the housing unit rents meet the test for low to moderate income residents.

- 2.13 The Council further finds, determines and declares that pursuant to Minnesota Statutes, Section 469.174, Subdivision 11, the fair market value of the low and moderate income housing project must constitute at least 80 percent of the total valuation of the improvements constructed in the Housing TIF District. Because the project meets the Internal Revenue Code definition of a “qualified residential rental project” the entire housing component of the project qualifies as a low and moderate income housing development. About 87 percent of the assessed value of the complete development is attributable to the “qualified residential housing project” as provided by the City Assessor’s Office in exhibit 3 of the TIF Plan. Therefore, the 1900 Central Avenue project meets both the income and valuation eligibility tests for the creation of a Housing TIF District.
- 2.14 The Council further finds, determines and declares that the use of tax increment financing is deemed necessary as the proposed development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The site of the proposed project is vacant, formerly contaminated, tax forfeit land. Efforts have been underway for more than ten years to redevelop these obsolete and underutilized properties, nevertheless, public redevelopment activities and expenditures were necessary to remediate the contamination and remained an essential component for leveraging private investment and development. The site had severe contamination constraints that limited its redevelopment potential. Further, 20 percent of the units will be rent restricted units, and as documented in the Plans, market rents cannot support the costs of new construction even for middle income renter households. The public redevelopment activity, expenditures and market values associated with the project results in a series of calculations and figures that clearly passes the “market value test” of Minnesota Statutes, Section 469.175, as provided in the plan document. It is therefore the

opinion of the City of Minneapolis that the development in this TIF District could not occur solely through private investment within the foreseeable future.

- 2.15 The Council further finds, determines and declares that the entire fiscal disparity contribution required of the City for development occurring within this district be taken from outside the 1900 Central Avenue TIF District. The election provided in the Minnesota Statutes Section 469.177, Subdivision 3, paragraph (a) is elected.
- 2.16 The Council further finds, determines and declares that it is necessary and in the best interests of the City at this time to approve the Plans.

Section 3. Approval of the Plans; Creation of Project Area and TIF District

- 3.1 Based upon the findings set forth in Section 2 hereof, the 1900 Central Avenue Redevelopment Plan and the 1900 Central Avenue TIF Plan, Modification No 4 to the Central Avenue Redevelopment Plan, and Modification No 92 to the Common Plans presented to the Council on this date are hereby approved and shall be placed on file in the office of the City Clerk.

Section 4. Implementation of the Plans

- 4.1 The officers and staff of the City and the Agency, and the City's and the Agency's consultants and counsel, are authorized and directed to proceed with the implementation of the Plans, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further modifications, resolutions, documents and contracts necessary for this purpose.

Approving the 1900 Central Avenue Redevelopment Plan, the 1900 Central Avenue Tax Increment Finance Plan, Modification No 4 to the Central Avenue Redevelopment Plan, and Modification No 92 to the Common Development & Redevelopment and Common Tax Increment Financing Plan

WHEREAS, on this date the City Council of the City of Minneapolis (the "City") adopted the 1900 Central Avenue Redevelopment Plan, the 1900 Central Avenue Tax Increment Finance Plan, Modification No 4 to the Central Avenue Redevelopment Plan, and Modification No 92 to the Common Development & Redevelopment and Common Tax Increment Financing Plan (collectively, the "Plans"), which authorize the Agency to establish and create a new free standing project area and tax increment financing district, all pursuant to and in accordance with Minnesota Statutes, Sections 469.001 through 469.047, and 469.174 through 469.179 as amended; Laws of Minnesota 1980, Chapter 595, as amended, and Minneapolis Code of Ordinances, Chapter 422, as amended; and

WHEREAS, the Minneapolis Community Development Agency (the "Agency") has determined that the adoption of the Plans is in the best interests of the City;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY AS FOLLOWS:

That the adoption of the Plans is hereby approved by the Board of Commissioners (the "Board") of the Agency.

Be It Further Resolved that the Board hereby concurs with all findings made by the City Council with respect to the Plans.

Be It Further Resolved that the officers and staff of the Agency are authorized and directed to proceed with the implementation of the Plans, and for this purpose to negotiate, draft, prepare, and present to this Board and the City Council for their consideration, as appropriate, any further modifications, resolutions, documents, and contracts necessary for this purpose.

MINNEAPOLIS COMMUNITY
DEVELOPMENT AGENCY

**1900 Central Avenue
Redevelopment Plan**

October 25, 2002

Prepared by Project Planning and Finance Department, MCDA
105 5th Avenue South, Minneapolis, Minnesota 55401

1900 Central Avenue Redevelopment Plan

October 25, 2002

Table of Contents

Introduction

Background

Redevelopment Plan

I. Description of Project

- A. Boundary of Redevelopment Project
- B. Project Boundary Map
- C. Objectives of the Redevelopment Plan
- D. Types of Redevelopment Activities

II. Land Use Plan

- A. Land Use Map
- B. Land Use Provisions and Requirements
 - 1. Permitted Uses
 - 2. Additional Regulations and Controls or Restrictions to be Imposed on the Sale of Acquired Land
 - 3. Period During Which Land Use Provisions and Requirements will be in Effect

III. Project Proposals

- A. Land Acquisition Map
- B. Land Acquisition
 - 1. List of Property that May be Acquired
 - 2. Conditions Under Which Property May Be Acquired
- C. Rehabilitation
- D. Redevelopers' Obligations

IV. Relocation

V. Official Action to Carry Out Redevelopment Plan

VI. Procedure for Changes in Approved Redevelopment Plan

EXHIBITS

- 1. Boundary Map
- 2. Land Use Map
- 3. Citizen Participation Report
- 4. Affirmative Action Policy
- 5. Environmental Review
- 6. Project Area Report and Documentation of Eligibility
- 7. Preliminary Budget and Method of Financing Proposed
- 8. Site Plan

1900 Central Avenue Redevelopment Plan

October 25, 2002

Introduction

Four plan documents have been prepared to assist a proposed rental project: this 1900 Central Avenue Redevelopment Plan, the 1900 Central Avenue Tax Increment Finance (TIF) Plan, Modification No. 4 to the Central Avenue Redevelopment Plan, and Modification No. 92 to the Common Development and Redevelopment and Common TIF Plan (the Common Project).

The new 1900 Central Avenue Redevelopment Project and Tax Increment District are created as a free-standing project area and tax increment district. The parcels included in the 1900 Central Housing Tax Increment Finance District remain within the existing Central Avenue Redevelopment Project Area, dated May 10, 1983. Because the Central Avenue Redevelopment Project Area is located within the Common Project of the City of Minneapolis, Modification No. 92 to the Common Project and Modification No. 4 to the Central Avenue Redevelopment Plan have been prepared to accommodate the activities and financing related to the proposed project. However, the new 1900 Central Avenue Redevelopment Project Area and TIF District are **not** being incorporated into the Common Project and will **not** be subject to the existing Common Project obligations and commitments.

The **1900 Central Avenue Redevelopment Plan** creates a new redevelopment project area, establishes objectives for the redevelopment of the project area, identifies land uses for the redevelopment of the project area, designates parcels for disposition and conveyance, and authorizes the creation of new housing tax increment finance district as a tool for carrying out portions of the redevelopment activities described therein.

The plans authorize public redevelopment activities and expenditures, and establish a budget for expenditures. Tax increment will be used to pay a portion of the eligible public redevelopment costs associated with the project, in addition to MCDA administrative costs.

Background

Several parties have expressed interest in developing the property since 1995. In 1997, the MCDA Board authorized the issuance of a RFP jointly with Hennepin County. Three proposals were received and Summit Environmental was selected by staff and the community to rehab the existing structure for their company headquarters, however, it was ultimately withdrawn due to costs and time constraints. In early 2000, the Board gave exclusive development rights to another developer to build an apartment building with some commercial space and underground parking, however, the developer was unable to close the financing gap and withdrew the proposal early in 2001. In April, 2002, the City Council approved NRP Affordable Housing Reserve funds for the

Volunteers of America of Minnesota's proposed senior housing project at 1900 Central Avenue N.E.

1900 Central Redevelopment Plan

I. Description of Project

The developer is proposing to construct a four-story, mixed-use project including 51 units of housing for senior citizens and approximately 6,500 to 7,000 square feet of commercial/retail space. In April, 2002, the project was awarded \$624,000 of NRP Affordable Housing Reserve Funds.

Volunteers of America of Minnesota is a Minnesota nonprofit and a chartered affiliate of Volunteers of America, Inc. which is one of the largest developers of affordable housing in the nation. VOA of Minnesota is one of the oldest non profits in Minnesota responding to major social issues since 1896. Their services include congregate dining and home delivered meals, home health care, homemaker and chore services, senior citizen centers, senior day programming, legal and protective services and volunteer programs for seniors.

Dunbar Development Corporation (DDC) has been hired as the project coordinator. DDC, a Twin Cities-based corporation, was formed in 1985. DDC has worked with many communities to provide development coordination services for residential properties consisting of market rate mixed-use, senior and student housing along with development services for light industrial, commercial and office developments.

The Volunteers of America of Minnesota, a qualified 501(c)(3) non-profit organization, proposes to develop a seniors-only independent apartment building consisting of 51 apartment units, 68 underground (32) and surface (36) parking spaces and approximately 6,500 to 7,000 square feet of retail commercial space (located on the ground floor). The proposed building will be 84,732 sq. ft. and have four floors with one level of below ground parking. The project fits the guidelines of the City approved "Central Avenue Redevelopment Plan" and the neighborhood the affordable senior housing will have a major positive impact to the immediate area.

The ground floor of the project will front Central Avenue and will be rented for retail and commercial use. The Eastside Food Cooperative is interested in opening a natural foods grocery store in the project. The community has stated its strong support for a member owned, locally operated, natural foods cooperative grocery store on Central Avenue.

The second through fourth floors of the development will be housing units. There will be 9 one-bedroom units, 18 one-bedroom units with dens, and 24 two-bedroom units. Appliances include a refrigerator, stove, microwave, dishwasher and disposal. Eleven units (20%) will be affordable to people with incomes at or below 50% of the area median income. The unit sizes range from 697 sq. ft. to 935 sq. ft. The development fills a need for the segment of the senior population that wants to leave its current housing, but not the community. Based on the developer's market research, it is

expected that senior residents living nearby will relocate to the project. VOA's commitment to residents will be to extend to them, on a fully voluntary basis, access to a comprehensive set of community-based services and supports.

A. Boundary of Redevelopment Project

Under the authority of the Housing and Redevelopment Authorities Act, approval of this Redevelopment Plan establishes a new Redevelopment Project as defined in Minnesota Statutes Section 469.002, Subdivision 14. The Project Area Report and Documentation of Eligibility is attached as Exhibit #6 to this Plan.

The boundary is generally bounded by 19th Avenue Northeast on the South, center right of way line of Central Avenue Northeast on the East, center line of the alley on the West, and the northern right of way line of Lot 3, Block 28, East Side Addition.

B. Project Boundary Map

The Project Boundary Map is included in this Redevelopment Plan as Exhibit #1.

C. Objectives of the Redevelopment Plan

The City of Minneapolis, together with the Minneapolis Community Development Agency, seeks to achieve the following objectives through the 1900 Central Avenue Redevelopment Plan.

The primary project objective will be to identify and carry out senior housing activities in the project area which will provide housing choices for senior residents, and revitalize the neighborhood. Toward this end, the following goals have been identified:

- (1) Develop affordable housing, including independent senior-only rental units
- (2) Facilitate the development and redevelopment of underutilized and/or blighted property in the project area
 - Eliminate blight, incompatible uses, and blighting influences which impede potential development
 - Acquire and remove buildings that are economically or functionally obsolete and/or buildings that are underutilized or incapable of being rehabilitated.
- (3) Provide sufficient parking to meet the needs of the project.

- (4) Provide new commercial opportunities and spaces for commercial development.
 - Revitalize property in the area to create a safe, attractive and functional area
 - Improve the aesthetic and economic vitality of the business district
 - Contribute to the cultural and economic vitality of the neighborhood
 - Promote reinvestment, modernization and rehabilitation as needed
- (5) Provide public improvements and infrastructure as needed.
- (6) Improve the tax base and tax revenue generating capacity of the City.

D. Types of Redevelopment Activities

The objectives of the redevelopment plan will be accomplished through the following actions: provision of affordable senior-only rental units, new construction, commercial/retail development, administration, and other related activities.

II. Land Use Plan

The Land Use Map is included in this Redevelopment Plan as Exhibit #2. The Land Use Map reflects the general pattern of recommendations for future land use. The zoning for the site is C2-Neighborhood Corridor Commercial District. The site is located on the northwest corner of Central Avenue and 19th Avenue N.E. The intersection is a retail/commercial node within the neighborhood and incorporates a variety of retail goods and services within three blocks north and south of the intersection. The C2 Neighborhood Corridor Commercial District is established to provide an environment of retail sales and commercial services that are larger in scale than allowed in the C1 District and to allow a broader range of uses. In addition to commercial uses, residential uses, institutional and public uses, parking facilities, limited production and processing and public services and utilities are allowed.

Permitted and conditional uses in the C2 District shall be as specified in Section 548.30 and Table 548-1, Principal Uses in the Commercial Districts¹.

¹ Zoning Code and Land Subdivision Regulations

The uses for the site shall conform to the Minneapolis Zoning Ordinance and shall be limited to those areas specified on the Land Use Map.

III. Project Proposals

The developer is proposing to construct a four-story, mixed-use project including 51 units of housing for senior citizens and approximately 6,500 to 7,000 square feet of commercial/retail space. In April, 2002, the project was awarded \$624,000 of NRP Affordable Housing Reserve Funds.

A. Property Acquisition

The development site at 1900 Central Avenue N.E is a 38,000 square foot tax-forfeit site owned by Hennepin County. It is located on the northwest corner of Central Avenue and 19th Avenue NE. The MCDA and the County have been jointly marketing the site since the early 1990's. Up to early 2001, the MCDA owned one of the properties comprising the site but deeded it to the County. The County undertook the environmental cleanup of the 1900 Central portion of the site which involved demolition of a building that originally housed a plating company with funds received from the Department of Transportation Economic Development in late 2001. The MCDA owned the adjacent three lots located at 1910, 1914, and 1918 Central (formerly "Eich Motors property") for five years. In early 2001 the MCDA and Hennepin County entered a Memorandum of Understanding covering, among other matters, the manner in which the MCDA will reconvey the MCDA properties to the County for environmental cleanup purposes and the County and MCDA agree to jointly consult and confer regarding the sale of the properties. At this time, the environmental cleanup work has been completed.

B. Conditions Under Which Property May Be Acquired – Not Applicable

C. Redevelopers' Obligation

The general requirements to be imposed upon the developers, their successors or assigns, will be established in the development agreements. Terms and conditions of a redevelopment contract with the Volunteers of America of Minnesota will be executed. The MCDA and Hennepin County have entered into a Memorandum of Understanding to work together on the disposition of the property to VOA for development.

IV. Relocation

No relocation benefits will be required for this project.

V. Official Action to Carry Out the Redevelopment Plan

Minnesota law requires that the Minneapolis City Planning Commission review this Redevelopment Plan and that its written opinion, if any, accompany the Redevelopment Plan when it is officially submitted to the City Council for approval (Minnesota Statutes,

Section 469.027). In approving the Redevelopment Plan, the City Council is responsible for carrying out those elements of the Redevelopment Plan requiring official action by the local governing body for the City.

VI. Procedure for Changes in Approved Redevelopment Plan

This Redevelopment Plan may be modified as provided in Minnesota Statutes, Section 469.029, Subdivision 6, as follows:

"A redevelopment plan may be modified at any time. The modification must be adopted by the authority and the governing body of the political subdivision in which the project is located, upon the notice and after the public hearing required for the original adoption of the redevelopment plan. If the authority determines the necessity of changes in an approved redevelopment plan or approved modification thereof, which changes do not alter or affect the exterior boundaries, and do not substantially alter or affect the general land uses established in the plan, the changes shall not constitute a modification of the redevelopment plan nor require approval by the governing body of the political subdivision in which the project is located."

To view the boundary and land use maps, contact the MCDA.

CITIZEN PARTICIPATION REPORT

1900 Central Avenue Redevelopment Plan

October 25, 2002

Plan documents will be sent to the Holland Neighborhood Improvement Association (HNIA) for a thirty day review period. HNIA has reviewed the development proposal on several occasions and on July 11, 2001, HNIA, on behalf of Volunteers of America of Minnesota, submitted a request for \$624,000 of NRP funds for this project. This group will be given the opportunity to review and comment on the Plan documents prior to consideration of the Plans by the Minneapolis City Council and the Minneapolis Community Development Agency Board of Commissioners.

The Minneapolis Community Development Agency will continue to work with the group throughout the implementation of the Redevelopment Plan.

EXHIBIT #4

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY AFFIRMATIVE ACTION POLICY

1900 Central Avenue Redevelopment Plan

October 25, 2002

It is the policy of the Minneapolis Community Development Agency to provide equal employment opportunities without regard to race, color, national origin, relation, sex, age, disability, affectional preference, or status with regard to public assistance to all applicants for employment and all employees. This pledge applies to all areas of employment including recruitment, employment, job assignment, training, promotion, transfers, rate of pay, and all other forms of compensation and benefits.

The employment policies and practices of the Minneapolis Community Development Agency will ensure that all employees and applicants for employment are treated equally and that no distinction is made in its employment practices, except on the basis of merit, because of race, color, national origin, religion, sex, age, disability, affectional preference, or status with regard to public assistance.

Developers and construction contractors who participate in redevelopment activities will be required to practice affirmative action and fulfill the Minneapolis Community Development Agency Affirmative Action checklist goals, and to develop and implement women and minority interest in business enterprise plans.

EXHIBIT #5

ENVIRONMENTAL REVIEW

1900 Central Avenue Redevelopment Plan

October 25, 2002

The Minneapolis Community Development Agency will comply with all applicable local, state and federal regulations and procedures regarding the assessment of potential environmental impacts resulting from project activities.

Hennepin County undertook the environmental cleanup of the entire site with funds received from the Department of Trade and Economic Development in late 2001. At this time the environmental cleanup work has been completed. See the Project Area Report exhibit for additional detailed information.

PROJECT AREA REPORT
AND SUPPORTING DOCUMENTATION

**1900 Central Avenue
Redevelopment and Tax Increment Finance Plan
October 25, 2002**

A project has been proposed by the Volunteers of America that will develop a multi-unit senior housing complex in the Holland Neighborhood of Northeast Minneapolis on former contaminated, tax-forfeit property. The 1900 Central Avenue Project proposes new construction of a four-story, mixed-use project including 51 units of housing for senior citizens and approximately 6,500 to 7,000 square feet of commercial/retail space. Eleven units will be affordable to people with incomes at or below 50% of the Metropolitan area median income. The development fills a need for the segment of the senior population that wants to leave its current housing, but not the community.

The purpose of this Project Area Report and Documentation of Eligibility is to describe the conditions that qualify the 1900 Central Avenue site as a Redevelopment Project and a Housing Tax Increment Financing District.

Findings for the Redevelopment Project

The 1900 Central Avenue Redevelopment Project qualifies as a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16).

An areawide assessment for eligibility for purposes of establishing a redevelopment project found that the real property within the Redevelopment Project boundaries (the "Project Area") was characterized by significant blighting influences caused by vacant, underused, formerly contaminated land that was tax forfeit property.

History of Site

The former Minnesota Plating Laboratories/Omnetics Connectors site at 1900 Central was originally forfeited to the State of Minnesota in 1991 for nonpayment of 1989 taxes. The parcel was repurchased but the parcel was subsequently forfeited to the State of Minnesota in 1994 for nonpayment of 1992 taxes, after collapse of negotiations by an investor group attempting to obtain MPCA assurances through the Voluntary Investigation and Cleanup (VIC) Program prior to site acquisition and redevelopment. Taxpayer Services notified the MPCA of the tax-forfeiture of the site subject to release of hazardous substances and petroleum on 12-22-94. Taxpayer Services registered title to the parcel in 1995. The parcel was investigated through interdepartmental collaboration outlined in the Contaminated Lands Restoration Program, by the Environmental Assessment Team.

The parcel was formerly covered by a mainly two story dilapidated poured-concrete structure with a gross floor area of 24,776 sq. ft. The structure was built in 1910, and was vacant since approximately 1987. Indications of past chemical spills were apparent in the former plating building. Prior to forfeiture Phase I, II, and III Environmental Site Assessments had been completed. Subsequent to forfeiture, the parcel was enrolled in the MPCA VIC and Voluntary Petroleum Investigation and Cleanup (VPIC) programs. A leaking underground storage tank and associated asbestos in the tank vicinity were removed by Hennepin County. An asbestos survey of the structure was also completed by Hennepin County. The MPCA conducted site investigations under the Brownfields Program. County environmental investigation and cleanup costs accounted for Hennepin County's local match share of these cleanup costs.

Three vacant lots at 1910, 1914, and 1918 Central Ave. N.E. were forfeited to the State of Minnesota in 1993 for nonpayment of 1991 taxes. The parcels were acquired in 1994 by the MCDA for redevelopment as productive, taxable property. Because more than five years had elapsed without tax revitalization having occurred, Agency staff agreed to seek authorization from the MCDA Board of Commissioners for reconveyance of the parcels back to the state. The land must be held as Hennepin tax-forfeit land in order for costs to be paid from the forfeited tax sale fund. The three parcels formerly housed "Eich Motors." In 1995 the MCDA demolished a small structure on this property which was attached to the 1900 Central structure. Hennepin County and the MCDA jointly put out a Request for Proposals for Redevelopment of 1900 and 1910-1918 Central Avenue N.E." in 1997, without success.

It was indicated that the sites could not reasonably be expected to be returned to taxable, productive use until soil and building contamination were remediated. In addition to the DTED cleanup funds, the Metropolitan Council, through its Livable Communities Act's Housing Incentives Program for 1996 Tax Base Revitalization Account, had cleanup grant funds available. Hennepin County was eligible to submit a grant application to the Metropolitan Council for funds.

When the building was demolished and the soil contamination on both sites had been remediated, a developer was granted exclusive redevelopment rights by the MCDA in December 1999, however, the developer was unable to close the financing gap and withdrew the proposal early in 2001.

Multiple contaminants were present in the soils on the property and in the ground water beneath the property. Soil contaminants included volatile organic compounds (VOCs), petroleum constituents (Diesel Range Organics - DRO), several metals, cyanide, and polynuclear aromatic hydrocarbons (PAHs). Trichloroethene (TCE) was the main VOC of concern, found at highly elevated levels. Metals impacts present above Residential SRVs included lead, iron, manganese, and copper. PAHs present above Residential SRVs consisted of Benzo(a)pyrene equivalents (herein referred to simply as BaP Equivalents), which included the following PAHs: Benzo(a)anthracene, Benzo(b)fluoranthene, Benzo(k)fluoranthene, Chrysene, Dibenz(a,h)anthracene, Indeno(1,2,3-c,d)pyrene, and Benzo(a)pyrene.

Noted impacts to ground water included multiple VOCs, metals, and petroleum constituents above the respective health risk limits (HRLs).

Within the building,² asbestos and lead-based paints were present. Elevated levels of iron and copper were present on concrete in the building's basement. Additional chemicals, solvents,

² Within the building, asbestos and lead-based paints were present. Possible exposure scenarios posed by the asbestos and lead-based paint present in the building included inhalation and ingestion. Elevated levels of iron and copper were present on concrete in the building's basement – possible inhalation exposure. Additional chemicals, solvents, mercury switches, fluorescent light tubes, ballasts, and other materials requiring special handling and disposal were present inside the building. These materials represented additional exposure scenarios (inhalation, ingestion, absorption – exposure scenario dependent on the material), and needed to be handled appropriately.

mercury switches, fluorescent light tubes, ballasts, and other materials requiring special handling and disposal were also present inside the building.

Summary of Contamination Information

Soils on the property were impacted with multiple parameters above Residential SRVs. Soil impacts were defined, and were present at multiple locations. These locations included beneath the building, an area to the northeast of the building, an area to the south of the building, an isolated area in the northwest portion of the property, and an isolated area in the north-central portion of the property.

Soil impacts were present surficially and at depth, depending on the contaminant. VOCs were located beneath the building at varying depths, from directly beneath the building to bedrock. Metals were present in both surficial soils as well as in soils down to bedrock (approximately 11 feet below grade). PAH impacts were located in surficial soils. Cyanide and petroleum constituents were located beneath the 1900 Central building, and were located in soils directly beneath the building as well as down to bedrock. Ground water impacts were also noted at the property. The source of the impacts appeared to be the contamination present beneath the 1900 Central building, and ground water impacts were concentrated at this location.

A Phase III groundwater investigation was completed at this site in 1992. Impact to the groundwater beneath this property was identified in 1992 within the shallow water table, hosted by the Platteville Limestone. This commonly fractured limestone formation was encountered at 10 to 12 feet below ground surface, and ranged from 7 to 9 feet in thickness at this location. The saturated thickness of the water table in the Platteville was last measured (1992) to be 3 to 6 feet and normally occurs in the Twin Cities region under perched conditions, confined from below by the Glenwood Shale formation. All of the monitoring wells that previously existed at this site were constructed to the top of the Glenwood confining layer. Using slug test data and water level measurements, the velocity of the shallow groundwater was calculated to be approximately 14 feet per year. The soils overlying the partially saturated limestone were found to be mainly fine to medium grained sand with minor gravel and silt laminations.

Multiple contaminants were present on the property, within the building, in soils on the property, and in ground water beneath the property.

The statutory definition for “blighted areas” include “buildings or improvements that exhibit dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light and sanitary facilities, excessive land coverage, deleterious (toxic, harmful) land use, obsolete layout and other factors, detrimental to the safety, morals or welfare of the community”.

The proposed Project Area includes 4 formerly contaminated now vacant parcels. The deterioration of the vacant parcels undermines the value of adjacent property. Additionally, vacant parcels may constitute a repository for debris, a fire hazard, and attract vagrants and criminal elements of the population. Furthermore, the vacant space is not only an uneconomic use of inner city real estate, but is technically by definition, a blighting condition.

Findings of Eligibility for a Housing Tax Increment Finance District

The 1900 Central Avenue Tax Increment Finance District is to be a housing district as defined in the Minnesota Tax Increment Act (Minnesota Statutes, Section 469.174, Subdivision 11). According to Subdivision 11, "housing district means a type of tax increment finance district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate incomes, as defined in chapter 462A, Title II of the National Housing Action of 1934, the National Housing of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts."

There are two specific questions that must be answered in order to confirm the eligibility to establish a Housing TIF District to finance eligible public redevelopment costs of the 1900 Central Project.

- 1) Does the project comply with the income restrictions for rental housing projects identified in Minnesota Statutes, Section 469.1761, Subdivision 3?
- 2) Does the fair market value of the low and moderate income housing project constitute at least 80% of the total valuation of the improvements constructed in the district?

Income Restrictions

For this project, moderate income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the Metropolitan median family income. Low income housing is defined as housing affordable to families with incomes below 80 percent of the Metropolitan median family income. One hundred percent of the units in the project will be affordable to low or moderate income households in this income range. ***Twenty percent of the housing is affordable to senior citizens whose income is 50% or less of the Metropolitan area median gross income.***^{3 4}

Additionally, the proposed project must satisfy the income requirements for a Housing Tax Increment Finance District as stated in the Minnesota Tax Increment Act (Minnesota Statutes, Section 469.1761, Subdivision 3). Subdivision 3 states that rental housing must meet one of the following tests in order to qualify as a Housing Tax Increment District:

1. **At least 20 percent of the units must be occupied by individuals whose income is 50 percent or less of the Metropolitan area median gross income; or**
2. At least 40 percent of the units must be occupied by individuals whose income is 60 percent or less of the area median gross income; or
3. At least 50 percent of the units must be occupied by individuals whose income is 80 percent or less of the area median gross income.

The proposed project meets the first income requirement for a Housing Tax Increment Finance District. Income guidelines will be monitored for the life of the district, as the requirements of this subdivision apply for the duration of the tax increment financing district. Because the project meets the Internal Revenue Code definition of a qualified rental project, the entire housing component of the project qualifies as a low and moderate income housing development.

Valuation Test

In addition to the rental apartment units and appurtenant parking, the project will include about 6,500 to 7,000 square feet of retail/commercial space on the ground floor.

³ The Holland Neighborhood Median Income is \$34,625.

⁴ The FY 2002 Median Family Income Metro Area, State of Minnesota is \$76,700 as estimated by HUD

According to Minnesota Statutes, Section 469.174, Subdivision 11, in order to establish a housing TIF district, the fair market value of the low and moderate income housing project must constitute at least 80% of the total valuation of the improvements constructed in the district.

In a memorandum dated July 11, 2002 (See Exhibit #4 to this Plan), the City Assessor's Office has calculated that the Estimated Market Value (EMV) of the completed project will be about \$4,400,000. Approximately \$3,850,000 of the valuation is attributable to the apartments and tenant parking, and \$550,000 is attributable to the commercial value. This means that about 87% of the assessed value of the complete development is attributable to the housing project.

Eligibility Findings

The proposed project qualifies as a Housing Tax Increment Financing District under Minnesota Statutes. (See 1. above). Findings to this affect will be included in the resolutions considered by the City Council of the City of Minneapolis at the time that this plan document is offered for approval.

Documentation supporting these findings is on file in the offices of the Minneapolis Community Development Agency, Suite 600, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota, 55401.

Preliminary Budget and Method of Financing

1900 Central Avenue Redevelopment Plan

October 25, 2002

Developer Information

Volunteers of America of Minnesota is a Minnesota nonprofit and a chartered affiliate of Volunteers of America, Inc. which is one of the largest developers of affordable housing in the nation. VOA of Minnesota is one of the oldest non profits in Minnesota responding to major social issues since 1896. Their services include congregate dining and home delivered meals, home health care, homemaker and chore services, senior citizen centers, senior day programming, legal and protective services and volunteer programs for seniors.

Dunbar Development Corporation (DDC) has been hired as the project coordinator. DDC, a Twin Cities-based corporation, was formed in 1985. DDC has worked with many communities to provide development coordination services for residential properties consisting of market rate mixed-use, senior and student housing along with development services for light industrial, commercial and office developments.

Method Proposed for Financing

The total development cost is estimated to be \$6,425,492. The proposed financing sources include 501(c)(3) housing revenue bonds, tax increment financing, NRP funds and funds from the AFL-CIO Housing Initiative Fund. In April, 2002 the developer was awarded \$624,000 of NRP Affordable Housing Reserve funds. The developer is requesting that the City issue 501(c)(3) housing revenue bonds and requesting pay-as-you-go tax increment financing to help pay for the affordable housing component of the project. The proposed borrower of the bonds will be VOA 1900 LLC, a Minnesota single asset limited liability company, the sole member of which is Volunteers of America Minnesota, a qualified 501(c)(3) non-profit organization.

TIF District Budget

Sources	Up-Front	Over Time
Developer Funds	\$ 808,000	---
Tax Increment	---	\$ 2,405,100
Other	---	---
Total Sources	\$ 808,000	\$ 2,405,100

Uses		
Acquisition	---	---
Housing Construction	808,000	---
Demolition	---	---
Environmental Remediation	---	---
Pay-As-You-Go Note Principal	---	808,000
Pay-As-You-Go Note Interest	---	929,065
MCDA Administration	---	193,020
MCDA Affordable Housing 25%	---	475,015
Total Uses	\$ 808,000	\$2,405,100

Bonded Indebtedness to be Incurred

VOA -1900, LLC, has submitted an application to the City for up to \$5,900,000 in 501(c)(3) bonds. \$4,400,000 of this total will be Series A senior bonds secured with FNMA mortgage backed securities fully guaranteed by the Volunteers of America of Minnesota. \$900,000 will be Series B subordinated bonds that will be initially secured by an irrevocable Letter of Credit from Wells Fargo Bank. Following construction and upon project stabilization (90% project occupancy for 90 consecutive days), the Series B bonds will be secured only by a second mortgage.

The AFL/CIO has two investment arms that have participated in local housing development projects in the Minnesota and Wisconsin area. One of the investment arms is the AFL/CIO Housing Investment Trust. The proposed participation of the Housing Trust will be their purchase of up to four years of certain FNMA securities. By using the FNMA securities to securitize the tax-exempt bonds, the 1900 Central project will benefit from a lower interest rate on the bonds. The proposed purchase will result in \$526,492 of proceeds to the development of the project.

It is anticipated that up-front public redevelopment costs will be financed with pay-as-you-go tax increment financing. With pay-as-you-go tax increment financing, the developer finances eligible public redevelopment costs under contract with the City or MCDA, in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the new development to be constructed by the developer. This approach reduces the financing risks for the City, since the developer is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

Sources of Revenue

Tax increment generated within the TIF District will be a source of public funds used to pay a portion of public redevelopment costs associated with the 1900 Central Avenue Project, in addition to FNMA Mortgage Loan Series A Bonds and subordinated Series B Bonds, and AFL/CIO Housing Investment Trust funds (see Section B. above). The developer was also awarded NRP Affordable Housing Reserve Funds in April 2002.

To view the site plan, contact the Minneapolis Community Development Agency

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

**1900 Central Avenue
Tax Increment Finance Plan**

October 25, 2002

Prepared by Project Planning and Finance Department
MCDA, 105 5th Avenue South, Minneapolis, Minnesota 55401

1900 Central Avenue
Tax Increment Finance Plan
October 25, 2002

- I. Tax Increment District Boundary
- II. Statement of Objectives
- III. Development Program
 - A. Description of Development Program
 - B. Property That May Be Acquired
 - C. Development Activity For Which Contracts Have Been Signed
 - D. Other Development Activity
- IV. Description of Financing
 - A. Project Costs
 - B. Bonded Indebtedness To Occur
 - C. Sources of Revenue
 - D. Original Net Tax Capacity
 - E. Estimated Captured Net Tax Capacity at Completion
 - F. Duration of District
 - G. Fiscal Disparities Election
 - H. Original Tax Capacity Rate
 - I. Permit Activity and Prior Planned Improvements
 - J. Affordable Housing Policy
- V. Type of Tax Increment Financing District
- VI. Estimated Impact on Other Taxing Jurisdictions
- VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance
- VIII. Modifications to Tax Increment Financing Plans

Exhibits

- 1) Boundary
- 2) Project Area Report and Documentation of Eligibility
- 3) Assessor Valuation
- 4) Site Plan

1900 Central Avenue Tax Increment Finance Plan

October 25, 2002

Introduction

Four plan documents have been prepared that are related to a proposed mixed-use senior rental and commercial/retail project: this 1900 Central Avenue Tax Increment Finance Plan (the “TIF Plan”), the 1900 Central Avenue Redevelopment Plan, Modification No. 4 to the Central Avenue Redevelopment Plan, and Modification No. 92 to the Common Project (collectively, the “Plans”).

The new 1900 Central Avenue Redevelopment Project and Tax Increment District are created as a free-standing project area and tax increment district. The parcels included in the 1900 Central Housing Tax Increment Finance District remain within the existing Central Avenue Redevelopment Project Area, dated May 10, 1983. The parcels are not within an existing tax increment district. Because the Central Avenue Redevelopment Project Area is located within the Common Project of the City of Minneapolis, Modification No. 92 to the Common Project and Modification No. 4 to the Central Avenue Redevelopment Plan have been prepared to accommodate the activities and financing related to the proposed project. However, the new 1900 Central Avenue Redevelopment Project Area and TIF District are **not** being incorporated into the Common Project and will **not** be subject to the existing Common Project obligations and commitments.

The **1900 Central Avenue Redevelopment Plan** creates a new redevelopment project area, establishes objectives for the redevelopment of the project area, identifies land uses for the redevelopment of the project area, and authorizes the creation of new housing tax increment finance district as a tool for carrying out portions of the redevelopment activities described therein.

This TIF Plan provides for the establishment of a new Housing TIF district: the “1900 Central Avenue Tax Increment Financing District (the “TIF District”). This TIF Plan authorizes public redevelopment activities and expenditures, establishes a new Housing TIF district and a budget for expenditures within the boundaries of the 1900 Central Avenue Project Area (the “Project Area”). Tax increment will be used to pay for a portion of the public redevelopment costs associated with the Project Area, in addition to MCDA administration costs.

TAX INCREMENT FINANCE PLAN

I. Tax Increment District Boundary

The TIF District is being established within and under the authority of the 1900 Central Avenue Redevelopment Project. The property to be included in the proposed TIF District includes one vacant parcel (previously 4 parcels) currently in the process of a division, including streets, alleys and public rights bounded by Central Avenue on the east, and includes Lots 3 through 7 inclusive, Block 28, East Side Addition, subject to alley. The boundary is shown on the boundary map (Exhibit #1). The tax parcel to be included in the TIF District is:

Address/PIN number

1900 Central Avenue 11-029-24-44-0201⁵

Previous property identification numbers are:

11-029-24-44-0007

11-029-24-44-0192

11-029-24-44-0193

11-029-24-44-0194

The Project Area Report, which documents the eligibility of this site for the establishment of a Housing TIF District, is appended as Exhibit #2 to this TIF Plan.

II. Statement of Objectives

The objectives for this TIF Plan are described in 1900 Central Avenue Redevelopment Plan in Section B. 3 and are restated here

The City of Minneapolis, together with the Minneapolis Community Development Agency, seeks to achieve the following objectives through the 1900 Central Avenue Redevelopment Plan.

The primary project objective will be to identify and carry out senior housing activities in the project area which will provide housing choices for senior residents, and revitalize the neighborhood. Toward this end, the following goals have been identified:

- (1) Develop affordable housing, including independent senior-only rental units
 - (2) Facilitate the development and redevelopment of underutilized and/or blighted property in the project area
- Eliminate blight, incompatible uses, and blighting influences which impede potential development
 - Acquire and remove buildings that are economically or functionally obsolete and/or buildings that are underutilized or incapable of being rehabilitated.
- (3) Provide sufficient parking to meet the needs of the project.
 - (4) Provide new commercial opportunities and spaces for commercial development.
- Revitalize property in the area to create a safe, attractive and functional area

⁵ This PIN number was created by Division #020406 dated 9/9/02 and the division is currently in process.

- Improve the aesthetic and economic vitality of the business district
 - Contribute to the cultural and economic vitality of the neighborhood
 - Promote reinvestment, modernization and rehabilitation as needed
- (5) Provide public improvements and infrastructure as needed.
- (6) Improve the tax base and tax revenue generating capacity of the City.

III. Development Program

A. Description of Development Program

The developer is proposing to construct a four-story, mixed-use project including 51 units of housing for senior citizens and approximately 6,500 to 7,000 square feet of commercial/retail space. In April, 2002, the project was awarded \$624,000 of NRP Affordable Housing Reserve Funds.

Volunteers of America of Minnesota (VOA) is a Minnesota nonprofit and a chartered affiliate of Volunteers of America, Inc. which is one of the largest developers of affordable housing in the nation. VOA of Minnesota is one of the oldest non profits in Minnesota responding to major social issues since 1896. Their services include congregate dining and home delivered meals, home health care, homemaker and chore services, senior citizen centers, senior day programming, legal and protective services and volunteer programs for seniors.

Dunbar Development Corporation (DDC) has been hired as the project coordinator. DDC, a Twin Cities-based corporation, was formed in 1985. DDC has worked with many communities to provide development coordination services for residential properties consisting of market rate mixed-use, senior and student housing along with development services for light industrial, commercial and office developments.

The Volunteers of America of Minnesota, a qualified 501(c)(3) non-profit organization, proposes to develop a seniors-only independent apartment building consisting of 51 apartment units, 68 underground (32) and surface (36) parking spaces and approximately 6,500 to 7,000 square feet of retail commercial space (located on the ground floor). The proposed building will be 84,732 sq. ft. and have four floors with one level of below ground parking. The project fits the guidelines of the City approved "Central Avenue Redevelopment Plan" and the neighborhood believes the affordable senior housing will have a major positive impact to the immediate area.

The ground floor of the project will front Central Avenue and will be rented for retail and commercial use. The Eastside Food Cooperative is interested in opening a natural foods grocery store in the project. The community has stated its strong support for a member owned, locally operated, natural foods cooperative grocery store on Central Avenue.

The second through fourth floors of the development will be housing units. There will be 9 one-bedroom units, 18 one-bedroom units with dens, and 24 two-bedroom units. Appliances include a refrigerator, stove, microwave, dishwasher and disposal. Eleven units (20%) will be affordable to people with incomes at or below 50% of the Metropolitan area median income. The unit sizes range from 697 sq. ft. to 935 sq. ft. The development fills a need for the segment of the senior population that wants to leave its current housing, but not the community. Based on the developer's market research, it is expected that senior residents living nearby will relocate to the project. VOA's commitment to residents will be to extend to them, on a fully voluntary basis, access to a comprehensive set of community-based services and supports.

The most recent State of the City Report 2001 illustrates the Northeast Community reported a 37% increase in rent, with a -34.0 percent change in number of available units. This gives emphasis to the tight rental market. The number of units available for rent is important since it indicates the vacancy rate. The Minneapolis vacancy rate for the second quarter of 2001 was 1.7 percent, one of the lowest rates in the country. Rates below 5 percent can result in higher rents, as has happened in Minneapolis.

Finding any type of decent, affordable housing, whether rented or owned, has become increasingly hard to find for many people in the Twin Cities. Much of the problem stems from a shortage of lower-priced housing combined with the failure of incomes to keep pace with rising housing costs.⁶

B. Property That May Be Acquired

The development site at 1900 Central Avenue N.E is a 38,000 square foot tax-forfeit site owned by Hennepin County. It is located on the northwest corner of Central Avenue and 19th Avenue NE. The MCDA and the County have been jointly marketing the site since the early 1990's. Up to early 2001, the MCDA owned one of the properties comprising the site but deeded it to the County. The County undertook the environmental cleanup of the 1900 Central portion of the site which involved demolition of a building that originally housed a plating company with funds received from the Department of Transportation Economic Development in late 2001. The MCDA owned the adjacent three lots located at 1910, 1914, and 1918 Central (formerly "Eich Motors property") for five years. In early 2001 the MCDA and Hennepin County entered a Memorandum of Understanding covering, among other matters, the manner in which the MCDA will reconvey the MCDA properties to the County for environmental cleanup purposes and the County and MCDA agree to jointly consult and confer regarding the sale of the properties. At this time, the environmental cleanup work has been completed.

C. Development Activity for Which Contracts Have Been Signed and Other Specific Development Expected to Occur

The MCDA is currently negotiating a development agreement with Volunteers of America (VOA – 1900, LLC). This is a Minnesota single asset limited liability company. The sole member is Volunteers of America of Minnesota, a qualified 501(c)(3) non profit organization.

D. Other Development Activity

There is no other development activity contemplated within the new 1900 Central Avenue TIF District, with the exception of the activity described in this Plan.

IV. Description of Financing

The purpose of this TIF plan is to authorize public redevelopment activities and expenditures to assist with the 1900 Central Avenue senior housing project. Anticipated public redevelopment activities may include acquisition, new construction, underground parking, administration, and other related activities.

The total development cost is estimated to be \$6,450,492 including financing costs. The proposed financing sources include 501 (c)(3) housing revenue bonds, tax increment financing, NRP funds, and involvement by the AFL-CIO Housing Initiative Trust, and other financing sources. In April, 2002, the developer was awarded \$624,000 of NRP Affordable Housing Reserve funds. The developer is requesting pay-as-you-go tax increment financing to help pay for the affordable housing component of the project.

The figures, sources and methods of financing identified in this TIF Plan are based on the best estimates available at the time of writing. Slight changes in these figures can be expected. However, in the event that significant changes affect the structure or feasibility of this TIF Plan, or result in an increase in the public redevelopment costs or indebtedness beyond the amounts listed herein, a modification to the TIF Plan will be necessary. Such a modification would require the same approval process as the original approval of this TIF Plan. The actual public commitment to pay public

⁶ State of the City Report, 2001

redevelopment costs to be incurred within this Project Area is established in each redevelopment agreement entered into by the Agency and each developer, not by the TIF Plan, which establishes a permissive rather than proscriptive ceiling on public expenditures.

A. Project Costs

TIF District Budget

Sources	Up-Front	Over Time
Developer Funds	\$ 808,000	---
Tax Increment	---	\$ 2,405,100
Other	---	---
Total Sources.	\$ 808,000	\$ 2,405,100
Uses		
Acquisition	---	---
Housing Construction	808,000	---
Demolition	---	---
Environmental Remediation	---	---
Pay-As-You-Go Note Principal	---	808,000
Pay-As-You-Go Note Interest	---	929,065
MCDA Administration	---	193,020
MCDA Affordable Housing 25%	---	475,015
Total	\$ 808,000	\$2,405,100
Uses.		

B. Bonded Indebtedness to be Incurred

VOA -1900, LLC, has submitted an application to the City for up to \$5,900,000 in 501(c)(3) bonds. \$4,400,000 of this total will be Series A senior bonds secured with FNMA mortgage backed securities fully guaranteed by the Volunteers of America of Minnesota. \$900,000 will be Series B subordinated bonds that will be initially secured by an irrevocable Letter of Credit from Wells Fargo Bank. Following construction and upon project stabilization (90% project occupancy for 90 consecutive days), the Series B bonds will be secured only by a second mortgage.

The AFL/CIO has two investment arms that have participated in local housing development projects in the Minnesota and Wisconsin area. One of the investment arms is the AFL/CIO Housing Investment Trust. The proposed participation of the Housing Trust will be their purchase of up to four years of certain FNMA securities. By using the FNMA securities to securitize the tax-exempt bonds, the 1900 Central project will benefit from a lower interest rate on the bonds. The proposed purchase will result in \$526,492 of proceeds to the development of the project.

It is anticipated that up-front public redevelopment costs will be financed with pay-as-you-go tax increment financing. With pay-as-you-go tax increment financing, the developer finances eligible public redevelopment costs under contract with the City or MCDA, in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the new development to be constructed by the developer. This approach reduces the financing risks for the City, since the developer is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

C. Sources of Revenue

Tax increment generated within the TIF District will be a source of public funds used to pay a portion of public redevelopment costs associated with the 1900 Central Avenue Project, in addition to FNMA Mortgage Loan Series A Bonds and subordinated Series B Bonds, and AFL/CIO Housing Investment Trust funds (see Section B. above). The developer was also awarded NRP Affordable Housing Reserve Funds in April 2002.

D. Original Net Tax Capacity

The 2002 estimated market value of the tax parcels included is \$199,100. This will result in an original net tax capacity of approximately \$2,489.

E. Estimated Captured Net Tax Capacity at Completion

Upon completion of the redevelopment it is anticipated that the estimated market value of taxable property in the District will increase from \$199,100 to approximately \$4,400,000. This represents an increase of \$4,200,900 and will generate a total net tax capacity of approximately \$58,375, and an estimated captured net tax capacity of \$55,886.

Based upon a total local tax rate of approximately 147.663%, this will generate an estimated annual gross tax increment payment of \$82,523 stabilized (excluding deduction for State Auditor Fee).

F. Duration of District

The 1900 Central Avenue TIF District is a Housing TIF District. Tax increment can be paid to the MCDA for up to twenty-six years of increment collection, or such period as is authorized by law and is necessary to complete financing of the eligible project costs.

G. Fiscal Disparities Election

It is the intent of the MCDA and the City of Minneapolis that the entire fiscal disparity contribution required of the City for development occurring within this TIF District be taken from outside the TIF District. The option provided in Minnesota Statutes Section 469.177, Subdivision 3, Paragraph (a) of the Minnesota Tax Increment Financing Act is elected.

H. Original Tax Capacity Rate

The Original Tax Capacity Rate for this district will be the local tax capacity rate for taxes payable (TP) 2002. For project and impact purposes, a total tax rate of 147.663% has been used.

I. Permit Activity and Prior Planned Improvements

The TIF District does not include any "prior planned improvements" as that term is described in Minnesota Statutes, Section 469.177. Subd. 4.

The letter requesting certification by Hennepin County of the TIF District will be accompanied by a list of all of the building permits issued for the property included in this TIF District during the eighteen months immediately preceding approval of this TIF Plan, as mandated by Minnesota Statutes, Section 469.175, Subdivision 3.

J. Affordable Housing & Expenditures Outside TIF District

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.173, Subd. 2, paragraph (d), which states that such expenditures must:

- (1) be used exclusively to assist housing that meets the requirements for a qualified low income building (as defined in Section 42 of the IRC);
- (2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42; and
- (3) be used to:
 - (i) acquire and prepare the site of the housing;
 - (ii) acquire, construct, or rehabilitate the housing; or

- (iii) make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or project area, but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to M.S. Section 469.1763, Subd. 2, up to 25% of the tax increment from a redevelopment TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 35%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenses are considered expenditures outside of the district.

Pursuant to the provisions, requirements and restrictions noted above, the Agency elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district. It currently anticipates that up to 10% of the increment collected from the district (over its lifetime) may be used for administrative purposes, and up to 25% of the increment collected from the district (over its lifetime) will be used for affordable housing purposes.

V. Type of Tax Increment Financing District

The proposed TIF District is a “Housing District” as defined in Minnesota Statutes Section 469.174 Subdivision 11:

“Housing district” means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in Chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts. A district does not qualify as a housing district under this subdivision if the fair market value of the improvements which are constructed in the district for commercial uses or for uses other than low and moderate income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements which are constructed in the district for commercial uses or for uses other than low and moderate income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value. Housing project means a project, or portion of a project, that meets all the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

There are two specific questions that must be answered in order to confirm the eligibility to establish a Housing TIF District to finance eligible public redevelopment costs of the 1900 Central Project.

- (1) Does the project comply with the income restrictions for rental housing projects identified in Minnesota Statutes, Section 469.1761, Subdivision 3?
- (2) Does the fair market value of the low and moderate income housing project constitute at least 80% of the total valuation of the improvements constructed in the district?

These two eligibility tests will be referred to as the income and valuation requirements for the creation of a housing TIF district.

Moderate income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the Metropolitan Area median family income. **Low income housing** is defined as housing affordable to families with incomes below 80 percent of the Metropolitan median area family income. One hundred percent of the units in the project will be affordable to low or moderate income households in this income range.

⁷These definitions of low and moderate income are adopted by resolution and in this plan by the Minneapolis City Council through its municipal legislative powers, pursuant to Minnesota Statutes, Section 469.174, Subdivision 11, as approved by the City of Minneapolis Resolution 98R-431, Sec. 2.05 which states: “the Council hereby finds, determines and declares that moderate income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the Metropolitan median area family income; and further, moderate income is defined for this purpose in terms of the income levels for which the market does not provide housing without public assistance.”

City of Minneapolis Resolution 98R-431, Sec. 3.05 finds “that low income housing is defined as housing affordable to families with incomes below 80% of the Metropolitan Median family income and moderate income housing is defined as housing affordable to families with incomes between 80% and 120% of the Metropolitan median family income. These definitions are adopted pursuant to Minnesota Statutes, Section 469.174, Subdivision 11. Moderate income defined pursuant to Section 469.003. Subdivision....”.

Findings

- (1) One hundred percent of the housing unit rents meet the test for Low to Moderate income, and
- (2) 20 percent of the units meet the 20 percent at 50 percent requirement of Rental Housing TIF District and the City’s Affordable Housing Project. These units must be income qualified and remain affordable for the term of the TIF district per Minnesota State Statute and the City of Minneapolis Affordable Housing Policy.
- (3) Based on the City Assessor’s estimated value for the project of \$4,400,000, \$550,000 consists of commercial space. This equates to 13 percent of the total estimated fair market value of the improvements. This meets the no more than 20 percent of the fair market value of the improvements for commercial or uses other than low to moderate income requirement of the Minnesota TIF Act.

VI. Estimated Impact on Other Taxing Jurisdictions

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the redevelopment of the property would not occur as proposed without the tax increment financing assistance to be provided.

Nevertheless, if it is assumed for purposes of analysis that the proposed development described herein, as the Housing Project would occur without the tax increment financing assistance and that the estimated captured tax capacity generated by the development would under those circumstances be immediately available to the taxing jurisdictions, then the estimated annual impact on the taxing jurisdictions would be as follows:

Taxing Jurisdictions	Preliminary Tax Capacity Rate Payable 2002	Property Tax Revenues Resulting from \$55,886 Captured Tax Capacity
City of Minneapolis	59.054	\$33,003
Hennepin County	44.748	\$25,008
Special School District #1	32.961	\$18,421
Other Taxing Jurisdictions		
Total	10.900	\$ 6,092

⁷ Additional information regarding this finding is on file in the MCDA offices, located at 105 5th Avenue S.

	147.663%	\$82,523
--	----------	----------

VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance

Minnesota Statutes, Section 469.175, Subdivision 3, provides that prior to the approval of a tax increment financing plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the private redevelopment of the property included in the TIF District could not occur without public participation and financial assistance. This conclusion is based upon the following factors:

The project will eliminate functionally and economically obsolete, formerly contaminated vacant tax-forfeit land and develop in its location a mixed-use mixed-income project that includes affordable housing for senior residents.

Rental revenues generated from the project, combined with available affordable housing funds, are insufficient to amortize the entire cost of this redevelopment. As the only new market rate and mixed-income senior rental housing project in northeast Minneapolis, this project meets all city, Metropolitan Council, and state policy objectives. Twenty percent of the housing is affordable for the life of the district to senior citizens whose income is 50% or less of the metropolitan area median gross income. The mixed-use project also creates new pedestrian-oriented commercial space in an underutilized commercial corridor with excellent transit and services. Bus service extends along Central Avenue connecting the area conveniently with downtown and other areas of the Twin Cities. As with most of the mixed-use redevelopment projects developed in the City and in the metro area, the cost of underground parking cannot be fully paid for by rental revenues, but is a necessity because land for surface parking is neither available nor affordable.

The project will contain approximately 51 units of rental housing. Of the 51 units of housing, eleven units will be affordable to people with incomes at or below 50% of the area median income and the remainder (40 units) will be market rate. For the project, moderate income is defined as housing affordable to families with incomes between 80 percent and 120 percent of the Metropolitan median family income. Low income housing is defined as housing affordable to families with incomes below 80 percent of the Metropolitan median family income. The majority of the units in the project will be affordable to low or moderate income households in this income range. Because the project meets the Internal Revenue Code's definition of a qualified rental project, the entire housing component of the project qualifies as a low and moderate income housing development. Tax increment assistance is being utilized to subsidize the extraordinary cost of providing affordable housing at this site. Development of this project will help to create housing choice and a diverse, economically integrated community.

The project has the support of the neighborhood group and a commitment for long-term support for the project. The MCDA and Hennepin County jointly issued a Request for Proposals in the fall of 1997. Proposals were received but ultimately were withdrawn due to cost and time constraints.

In addition to the seniors-only independent rental apartment units and appurtenant parking, the project will include about 6,500 to 7,000 square feet of retail/commercial space on the ground floor. The first floor would be rented for retail and commercial use. The Eastside Food Cooperative is interested in opening a natural foods grocery store in the project. The community has stated its strong support for a member owned, locally operated, natural foods cooperative grocery store on Central Avenue.

According to Minnesota Statutes, Section 469.174, Subdivision 11, in order to establish a housing TIF district, the fair market value of the low and moderate income housing project must constitute at least 80% of the total valuation of the improvements constructed in the district.

In a memorandum dated July 11, 2002 (See Exhibit #4 to this Plan), the City Assessor's Office has calculated that the Estimated Market Value (EMV) of the completed project will be about \$4,400,000. Approximately \$3,850,000 of the valuation is attributable to the apartments and tenant parking, and \$550,000 is attributable to the commercial value. This means that about 87% of the assessed value of the complete development is attributable to the housing project.

The proposed project is consistent with the recently adopted Senior Housing Policy⁸ for Minneapolis and the City's Affordable Housing Policy. The development fills a need for the segment of the senior population that wants to leave its current housing, but not the community. Based on the developer's market research, it is expected that senior residents living nearby will relocate to the project. VOA's commitment to residents will be to extend to them, on a fully voluntary basis, access to a comprehensive set of community-based services and supports.

Therefore, it is the opinion of the City of Minneapolis that the proposed redevelopment project to be financed, in part, by this TIF District would not occur solely through private investment within the foreseeable future.

The TIF Act requires that a potential TIF district must also pass a market value test in order to make a finding that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by this TIF Plan.

Because it is the opinion of the City of Minneapolis that the proposed Project to be financed, in part, by this TIF District would not occur solely through private investment at this time, the City projects that the estimated market value of the site without the use of tax increment would remain at its present level. The calculations necessary to pass this test are contained on the following page of this TIF Plan. As shown there, the public redevelopment activity, expenditures, and market values associated with the redevelopment that is proposed in this plan results in a series of calculations and figures that clearly pass the market value test.

VIII. Modifications to Tax Increment Finance Plans

This TIF Plan may be modified, provided that the Agency and City Council shall adopt such modifications under the applicable provisions of the TIF Act, Minnesota Statutes, Section 469.175, Subdivision 4.

This TIF Plan reflects the establishment of the 1900 Central Avenue Tax Increment Financing District.

⁸ MCDA and MPHA obtained a city-wide market study of senior rental housing supply and demand to guide the development of a senior housing policy. The market study has provided valuable information supporting the city's need for senior housing strategies. Based on this information, opportunities for senior rental housing development can begin to be identified and evaluated.

For the Valuation and Tax Increment Assumptions and
Market Value Test page, please
Contact the MCDA

To view the Boundary Map of the
1900 Central Avenue TIF District,
please contact the Minneapolis Community Development Agency, or the City Clerk's office.

**1900 Central Avenue TIF District
Valuation and Tax Increment Assumptions**

	Pay 2004	Pay 2005	Pay 2006
Total Estimated Market Value (EMV)	\$209,055	\$2,200,000	\$4,400,000
Less: Original EMV	0	0	0
Captured EMV	\$209,055	\$2,200,000	\$4,400,000
Total Net Tax Capacity (NTC)	\$2,613	\$28,813	\$58,375
Less: Original NTC	0	0	0
Captured NTC	\$2,613	\$28,813	\$58,375
Times: Projected Total Tax Rate	0.000%	0.000%	0.000%
Gross Tax Increment	\$0	\$0	\$0
Less: State Auditor's Fee (.36%)	0	0	0
Tax Increment Distributed to MCDA	\$0	\$0	\$0

			Market Value Test
Years of TIF Collection	Payable Year	Tax Increment Distributed To MCDA	
---	2002	\$0	<p><u>Analysis Required by M.S. Section 469.175, Subd. 3 (2)</u></p> <p>(1) "... the increased market value of the site that could reasonably be expected to occur without the use of tax increment ...":</p> <p>(a) Projected estimated market value without the use of tax increment \$199,100</p> <p>(b) Original estimated market value <u>0</u></p> <p>(c) Increased estimated market value without the use of tax increment = (a) - (b) \$199,100</p> <p>(2) "... increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan.":</p> <p>(d) Increase in the estimated market value of the completed development. \$4,400,000</p> <p>(e) Present value of the projected tax increment for the maximum duration of the district <u>1,208,979</u></p>
---	2003	0	
1	2004	0	
2	2005	0	
3	2006	0	
4	2007	0	
5	2008	0	
6	2009	0	
7	2010	0	
8	2011	0	
9	2012	0	
10	2013	0	
11	2014	0	
12	2015	0	
13	2016	0	
14	2017	0	
15	2018	0	
16	2019	0	
17	2020	0	
18	2021	0	
19	2022	0	
20	2023	0	
21	2024	0	
22	2025	0	

23	2026	0	(f) Difference = (d) - (e)	\$3,191,021
24	2027	0		
25	2028	0		
26	2029	0	(3) Since (c) is less than (f), the proposed development or redevelopment passes the test.	
		<hr/> \$0		
P.V. @	5.00%	\$1,208,979		

PROJECT AREA REPORT
AND SUPPORTING DOCUMENTATION

**1900 Central Avenue
Redevelopment and Tax Increment Finance Plan
October 25, 2002**

A project has been proposed by the Volunteers of America that will develop a multi-unit senior housing complex in the Holland Neighborhood of Northeast Minneapolis on former contaminated, tax-forfeit property. The 1900 Central Avenue Project proposes new construction of a four-story, mixed-use project including 51 units of housing for senior citizens and approximately 6,500 to 7,000 square feet of commercial/retail space. Eleven units will be affordable to people with incomes at or below 50% of the Metropolitan area median income. The development fills a need for the segment of the senior population that wants to leave its current housing, but not the community.

The purpose of this Project Area Report and Documentation of Eligibility is to describe the conditions that qualify the 1900 Central Avenue site as a Redevelopment Project and a Housing Tax Increment Financing District.

Findings for the Redevelopment Project

The 1900 Central Avenue Redevelopment Project qualifies as a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16).

An areawide assessment for eligibility for purposes of establishing a redevelopment project found that the real property within the Redevelopment Project boundaries (the "Project Area") was characterized by significant blighting influences caused by vacant, underused, formerly contaminated land that was tax forfeit property.

History of Site

The former Minnesota Plating Laboratories/Omnetics Connectors site at 1900 Central was originally forfeited to the State of Minnesota in 1991 for nonpayment of 1989 taxes. The parcel was repurchased but the parcel was subsequently forfeited to the State of Minnesota in 1994 for nonpayment of 1992 taxes, after collapse of negotiations by an investor group attempting to obtain MPCA assurances through the Voluntary Investigation and Cleanup (VIC) Program prior to site acquisition and redevelopment. Taxpayer Services notified the MPCA of the tax-forfeiture of the site subject to release of hazardous substances and petroleum on 12-22-94. Taxpayer Services registered title to the parcel in 1995. The parcel was investigated through interdepartmental collaboration outlined in the Contaminated Lands Restoration Program, by the Environmental Assessment Team.

The parcel was formerly covered by a mainly two story dilapidated poured-concrete structure with a gross floor area of 24,776 sq. ft. The structure was built in 1910, and was vacant since approximately 1987. Indications of past chemical spills were apparent in the former plating building. Prior to forfeiture Phase I, II, and III Environmental Site Assessments had been completed. Subsequent to forfeiture, the parcel was enrolled in the MPCA VIC and Voluntary Petroleum Investigation and Cleanup (VPIC) programs. A leaking underground storage tank and associated asbestos in the tank vicinity were removed by Hennepin County. An asbestos survey of the structure was also completed by Hennepin County. The MPCA conducted site investigations under the Brownfields Program. County environmental investigation and cleanup costs accounted for Hennepin County's local match share of these cleanup costs.

Three vacant lots at 1910, 1914, and 1918 Central Ave. N.E. were forfeited to the State of Minnesota in 1993 for nonpayment of 1991 taxes. The parcels were acquired in 1994 by the MCDA for redevelopment as productive, taxable property. Because more than five years had elapsed without tax revitalization having occurred, Agency staff agreed to seek authorization from the MCDA Board of Commissioners for reconveyance of the parcels back to the state. The land must be held as Hennepin tax-forfeit land in order for costs to be paid from the forfeited tax sale fund. The three parcels formerly housed "Eich Motors." In 1995 the MCDA demolished a small structure on this property which was attached to the 1900 Central structure. Hennepin County and the MCDA jointly put out a Request for Proposals for Redevelopment of 1900 and 1910-1918 Central Avenue N.E." in 1997, without success.

It was indicated that the sites could not reasonably be expected to be returned to taxable, productive use until soil and building contamination were remediated. In addition to the DTED cleanup funds, the Metropolitan Council, through its Livable Communities Act's Housing Incentives Program for 1996 Tax Base Revitalization Account, had cleanup grant funds available. Hennepin County was eligible to submit a grant application to the Metropolitan Council for funds.

When the building was demolished and the soil contamination on both sites had been remediated, a developer was granted exclusive redevelopment rights by the MCDA in December 1999, however, the developer was unable to close the financing gap and withdrew the proposal early in 2001.

Multiple contaminants were present in the soils on the property and in the ground water beneath the property. Soil contaminants included volatile organic compounds (VOCs), petroleum constituents (Diesel Range Organics - DRO), several metals, cyanide, and polynuclear aromatic hydrocarbons (PAHs). Trichloroethene (TCE) was the main VOC of concern, found at highly elevated levels. Metals impacts present above Residential SRVs included lead, iron, manganese, and copper. PAHs present above Residential SRVs consisted of Benzo(a)pyrene equivalents (herein referred to simply as BaP Equivalents), which included the following PAHs: Benzo(a)anthracene, Benzo(b)fluoranthene, Benzo(k)fluoranthene, Chrysene, Dibenzo(a,h)anthracene, Indeno(1,2,3-c,d)pyrene, and Benzo(a)pyrene.

Noted impacts to ground water included multiple VOCs, metals, and petroleum constituents above the respective health risk limits (HRLs).

Within the building,⁹ asbestos and lead-based paints were present. Elevated levels of iron and copper were present on concrete in the building's basement. Additional chemicals, solvents, mercury switches, fluorescent light tubes, ballasts, and other materials requiring special handling and disposal were also present inside the building.

⁹ Within the building, asbestos and lead-based paints were present. Possible exposure scenarios posed by the asbestos and lead-based paint present in the building included inhalation and ingestion. Elevated levels of iron and copper were present on concrete in the building's basement – possible inhalation exposure. Additional chemicals, solvents, mercury switches, fluorescent light tubes, ballasts, and other materials requiring special handling and disposal were present inside the building. These materials represented additional exposure scenarios (inhalation, ingestion, absorption – exposure scenario dependent on the material), and needed to be handled appropriately.

Summary of Contamination Information

Soils on the property were impacted with multiple parameters above Residential SRVs. Soil impacts were defined, and were present at multiple locations. These locations included beneath the building, an area to the northeast of the building, an area to the south of the building, an isolated area in the northwest portion of the property, and an isolated area in the north-central portion of the property.

Soil impacts were present surficially and at depth, depending on the contaminant. VOCs were located beneath the building at varying depths, from directly beneath the building to bedrock. Metals were present in both surficial soils as well as in soils down to bedrock (approximately 11 feet below grade). PAH impacts were located in surficial soils. Cyanide and petroleum constituents were located beneath the 1900 Central building, and were located in soils directly beneath the building as well as down to bedrock. Ground water impacts were also noted at the property. The source of the impacts appeared to be the contamination present beneath the 1900 Central building, and ground water impacts were concentrated at this location.

A Phase III groundwater investigation was completed at this site in 1992. Impact to the groundwater beneath this property was identified in 1992 within the shallow water table, hosted by the Platteville Limestone. This commonly fractured limestone formation was encountered at 10 to 12 feet below ground surface, and ranged from 7 to 9 feet in thickness at this location. The saturated thickness of the water table in the Platteville was last measured (1992) to be 3 to 6 feet and normally occurs in the Twin Cities region under perched conditions, confined from below by the Glenwood Shale formation. All of the monitoring wells that previously existed at this site were constructed to the top of the Glenwood confining layer. Using slug test data and water level measurements, the velocity of the shallow groundwater was calculated to be approximately 14 feet per year. The soils overlying the partially saturated limestone were found to be mainly fine to medium grained sand with minor gravel and silt laminations.

Multiple contaminants were present on the property, within the building, in soils on the property, and in ground water beneath the property.

The statutory definition for “blighted areas” include “buildings or improvements that exhibit dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light and sanitary facilities, excessive land coverage, deleterious (toxic, harmful) land use, obsolete layout and other factors, detrimental to the safety, morals or welfare of the community”.

The proposed Project Area includes 4 formerly contaminated now vacant parcels. The deterioration of the vacant parcels undermines the value of adjacent property. Additionally, vacant parcels may constitute a repository for debris, a fire hazard, and attract vagrants and criminal elements of the population. Furthermore, the vacant space is not only an uneconomic use of inner city real estate, but is technically by definition, a blighting condition.

Findings of Eligibility for a Housing Tax Increment Finance District

The 1900 Central Avenue Tax Increment Finance District is to be a housing district as defined in the Minnesota Tax Increment Act (Minnesota Statutes, Section 469.174, Subdivision 11). According to Subdivision 11, “housing district means a type of tax increment finance district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate incomes, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts.”

There are two specific questions that must be answered in order to confirm the eligibility to establish a Housing TIF District to finance eligible public redevelopment costs of the 1900 Central Project.

- 1) Does the project comply with the income restrictions for rental housing projects identified in Minnesota Statutes, Section 469.1761, Subdivision 3?
- 2) Does the fair market value of the low and moderate income housing project constitute at least 80% of the total valuation of the improvements constructed in the district?

Income Restrictions

For this project, moderate income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the Metropolitan median family income. Low income housing is defined as housing affordable to families with incomes below 80 percent of the Metropolitan median family income. One hundred percent of the units in the project will be affordable to low or moderate income households in this income range. *Twenty percent of the housing is affordable to senior citizens whose income is 50% or less of the Metropolitan area median gross income.*^{10 11}

Additionally, the proposed project must satisfy the income requirements for a Housing Tax Increment Finance District as stated in the Minnesota Tax Increment Act (Minnesota Statutes, Section 469.1761, Subdivision 3). Subdivision 3 states that rental housing must meet one of the following tests in order to qualify as a Housing Tax Increment District:

4. **At least 20 percent of the units must be occupied by individuals whose income is 50 percent or less of the Metropolitan area median gross income; or**
5. At least 40 percent of the units must be occupied by individuals whose income is 60 percent or less of the area median gross income; or
6. At least 50 percent of the units must be occupied by individuals whose income is 80 percent or less of the area median gross income.

The proposed project meets the first income requirement for a Housing Tax Increment Finance District. Income guidelines will be monitored for the life of the district, as the requirements of this subdivision apply for the duration of the tax increment financing district. Because the project meets the Internal Revenue Code definition of a qualified rental project, the entire housing component of the project qualifies as a low and moderate income housing development.

Valuation Test

In addition to the rental apartment units and appurtenant parking, the project will include about 6,500 to 7,000 square feet of retail/commercial space on the ground floor.

According to Minnesota Statutes, Section 469.174, Subdivision 11, in order to establish a housing TIF district, the fair market value of the low and moderate income housing project must constitute at least 80% of the total valuation of the improvements constructed in the district.

In a memorandum dated July 11, 2002 (See Exhibit #4 to this Plan), the City Assessor's Office has calculated that the Estimated Market Value (EMV) of the completed project will be about \$4,400,000. Approximately \$3,850,000 of the valuation is attributable to the apartments and tenant parking, and \$550,000 is attributable to the commercial value. This means that about 87% of the assessed value of the complete development is attributable to the housing project.

Eligibility Findings

The proposed project qualifies as a Housing Tax Increment Financing District under Minnesota Statutes. (See 1. above). Findings to this affect will be included in the resolutions considered by the City Council of the City of Minneapolis at the time that this plan document is offered for approval.

¹⁰ The Holland Neighborhood Median Income is \$34,625.

¹¹ The FY 2002 Median Family Income Metro Area, State of Minnesota is \$76,700 as estimated by HUD

Documentation supporting these findings is on file in the offices of the Minneapolis Community Development Agency, Suite 600, Crown Roller Mill, 105 Fifth Avenue South, Minneapolis, Minnesota, 55401.

MINNEAPOLIS COMMUNITY
DEVELOPMENT AGENCY

**Modification No. 4
to the
Central Avenue
Redevelopment Plan**

October 25, 2002

Prepared by Project Planning and Finance Department, MCDA
105 5th Avenue South, Minneapolis, Minnesota 55401

Modification No. 4

dated October 25, 2002

to the

Central Avenue Redevelopment Plan, dated May 10, 1983

Modification No. 1	6/30/87
Modification No. 2	11/10/88, Rev. 1/21/88 (Spring and Central TIF #43)
Modification No. 3	12/23/91 (Central Avenue Supermarket TIF #47)

TABLE OF CONTENTS

Introduction

Redevelopment Plan

I. Description of Project

A. Boundary of Redevelopment Project	No Change
B. Project Boundary Map	No Change
C. Objectives of the Redevelopment Plan	No Change
D. Types of Redevelopment Activities	Changed

II. Land Use Plan

A. Land Use Map	No Change
B. Land Use Provisions and Requirements	No Change
C. Period During Which Land Use Provisions and Requirements Will Be In Effect	No Change

III. Project Proposals

A. Property Acquisition	No Change
B. Conditions Under Which Property May Be Acquired	No Change
C. Rehabilitation/Demolition	No Change
D. Redevelopers' Obligations	No Change

IV. Relocation No Change

V. Official Action to Carry Out Redevelopment Plan No Change

VI. Procedure for Changes in Approved Redevelopment Plan No Change

**Modification No. 4
to the
Central Avenue Redevelopment Plan**

October 25, 2002

Introduction

Four plan documents have been prepared that are related to a proposed mixed-use senior rental and commercial/retail project: this Modification No. 4 to the Central Avenue Redevelopment Plan, the 1900 Central Avenue Tax Increment Finance Plan (the “TIF Plan”), the 1900 Central Avenue Redevelopment Plan, and Modification No. 92 to the Common Project (collectively, the “Plans”).

The new 1900 Central Avenue Redevelopment Project and Tax Increment District are created as a free-standing project area and tax increment district. The parcels included in the 1900 Central Housing Tax Increment Finance District remain within the existing Central Avenue Redevelopment Project Area, dated May 10, 1983. The parcels are not within an existing tax increment district. Because the Central Avenue Redevelopment Project Area is located within the Common Project of the City of Minneapolis, Modification No. 92 to the Common Project and this Modification No. 4 to the Central Avenue Redevelopment Plan have been prepared to accommodate the activities and financing related to the proposed project. However, the new 1900 Central Avenue Redevelopment Project Area and TIF District are **not** being incorporated into the Common Project and will **not** be subject to the existing Common Project obligations and commitments.

The **1900 Central Avenue Redevelopment Plan** creates a new redevelopment project area, establishes objectives for the redevelopment of the project area, identifies land uses for the redevelopment of the project area, and authorizes the creation of new housing tax increment finance district as a tool for carrying out portions of the redevelopment activities described therein.

The TIF Plan provides for the establishment of a new Housing TIF district: the “1900 Central Avenue Tax Increment Financing District (the “TIF District”). The TIF Plan authorizes public redevelopment activities and expenditures, establishes a new Housing TIF district and a budget for expenditures within the boundaries of 1900 Central Avenue Project Area (the “Project Area”). Tax increment will be used to pay for a portion of the public redevelopment costs associated with the Project Area, in addition to MCDA administration costs.

Background

The Guidelines and Criteria for the Central Avenue Redevelopment Project were approved by the Minneapolis City Council on August 28, 1981. At the time the Central Avenue Redevelopment and Tax Increment Finance Plan were approved in 1983, the redevelopment project area consisted of approximately 210 acres generally located between Broadway Street on the south, Twenty Seventh Avenue NE on the north, Polk Street on the east, Jackson Street NE on the northwest, and Monroe Street NE on the southeast. There are a few blocks on the eastern side of the project area, a few blocks on the south, and a few blocks on the west that are not contained within this area.

The project received its initial funding through Community Development Block Grant (CDBG) funds in 1979 and subsequent years. A streetscape improvement plan was designed and developed with CDBG funds, and the costs of construction were assessed to benefiting property owners. Rehabilitation activities in the project area have resulted in the renovation of many commercial storefronts and buildings.

Modification No. 1, approved by the Minneapolis City Council on August 28, 1987, expanded the project boundary to the south by 119 acres of primarily industrial land to facilitate the development of new industrial uses and the expansion of existing industrial uses within the project area.

In 1988, the MCDA began efforts to facilitate the industrial redevelopment of a blighted 1.3 acre site located at Spring Street and Central Avenue. In addition to assembling a site that originally consisted of eight different tax parcels, the MCDA demolished blighted buildings on three of the parcels, and conducted environmental testing. A developer had proposed the construction of a light industrial facility on the property, and the City established a redevelopment TIF District on the site to assist with the financing of the public redevelopment costs. Modification No. 2, approved by the Minneapolis City Council on January 13, 1989 established the Spring and Central Redevelopment TIF District No. 43. The original proposed industrial redevelopment failed to go forward, and the MCDA marketed the site and negotiated with other potential redevelopers. Five of the tax parcels located in TIF #43 were identified to be knocked-down parcels. The parcels were subsequently recertified since they were an integral part of public and private redevelopment activity in 1996.

The Central Avenue Redevelopment Project was amended by Modification No. 11 to the Common Project to establish the Central Avenue Supermarket Tax Increment Financing Plan (TIF District #47), approved by the Minneapolis City Council on January 24, 1992. It was intended to facilitate the development of a 71,000 square foot grocery and retail store at Eighteenth and Central Avenue NE, and changed the land use in the Plan from industrial to commercial. (Decertification of TIF#47 effective 12-31-95). This modification also amended the Central Avenue Guidelines and Criteria.

REDEVELOPMENT ACTIVITIES

The following is a partial list of past and present activities in the Central Avenue Redevelopment Area:

The Central Avenue tax increment district is approximately 1.4 acres, on which ninety-eight units of rental housing and 15,000 square feet of retail-commercial space in the New Boston Square development area finished development in 1987 by C & G Partners. The total cost of the development was approximately \$5 million.

A 55,000 square foot site which was originally zoned for general industrial development was remarketed for reuse as light industrial. A \$367,000 Neighborhood Development Account loan was used to finance land acquisition and demolition of this site.

REDEVELOPMENT PLAN

Several parties have expressed interest in developing the property since 1995. In 1997, the MCDA Board authorized the issuance of a RFP jointly with Hennepin County. Three proposals were received and Summit Environmental was selected by staff and the community to rehab the existing structure for their company

headquarters, however, it was ultimately withdrawn due to costs and time constraints. In early 2000, the Board gave exclusive development rights to another developer to build an apartment building with some commercial space and underground parking, however, the developer was unable to close the financing gap and withdrew the proposal early in 2001. In April, 2002, the City Council approved NRP Affordable Housing Reserve funds for the Volunteers of America of Minnesota's proposed senior housing project at 1900 Central Avenue N.E.

I. Description of Project ~ New

The developer is proposing to construct a four-story, mixed-use project including 51 units of housing for senior citizens and approximately 6,500 to 7,000 square feet of commercial/retail space. In April, 2002, the project was awarded \$624,000 of NRP Affordable Housing Reserve Funds.

Volunteers of America of Minnesota is a Minnesota nonprofit and a chartered affiliate of Volunteers of America, Inc. which is one of the largest developers of affordable housing in the nation. VOA of Minnesota is one of the oldest non profits in Minnesota responding to major social issues since 1896. Their services include congregate dining and home delivered meals, home health care, homemaker and chore services, senior citizen centers, senior day programming, legal and protective services and volunteer programs for seniors.

Dunbar Development Corporation (DDC) has been hired as the project coordinator. DDC, a Twin Cities-based corporation, was formed in 1985. DDC has worked with many communities to provide development coordination services for residential properties consisting of market rate mixed-use, senior and student housing along with development services for light industrial, commercial and office developments.

The Volunteers of America of Minnesota, a qualified 501(c)(3) non-profit organization, proposes to develop a seniors-only independent apartment building consisting of 51 apartment units, 68 underground (32) and surface (36) parking spaces and approximately 6,500 to 7,000 square feet of retail commercial space (located on the ground floor). The proposed building will be 84,732 sq. ft. and have four floors with one level of below ground parking. The project fits the guidelines of this City approved "Central Avenue Redevelopment Plan" and the neighborhood believes the affordable senior housing will have a major positive impact to the immediate area.

The ground floor of the project will front Central Avenue and will be rented for retail and commercial use. The Eastside Food Cooperative is interested in opening a natural foods grocery store in the project. The community has stated its strong support for a member owned, locally operated, natural foods cooperative grocery store on Central Avenue.

The second through fourth floors of the development will be housing units. There will be 9 one-bedroom units, 18 one-bedroom units with dens, and 24 two-bedroom units. Appliances include a refrigerator, stove, microwave, dishwasher and disposal. Eleven units (20%) will be affordable to people with incomes at or below 50% of the area median income.

The development fills a need for the segment of the senior population that wants to leave its current housing, but not the community. Based on the developer's market research, it is expected that senior residents living nearby will relocate to the project. VOA's commitment to residents will be to extend to them, on a fully voluntary basis, access to a comprehensive set of community-based services and supports.

- A. Boundary of Redevelopment Project ~ No change
- B. Project Boundary Map ~ No change
- C. Objectives of the Redevelopment Plan ~ No Change
- D. Types of Redevelopment Activities ~ **Changed**

The objectives of the redevelopment plan will be accomplished through the following actions: provision of affordable rental units, new construction, administration, and other related activities.

II. Land Use Plan ~ No Change

III. Project Proposals ~ **Changed**

The developer is proposing to construct a four-story, mixed-use project including 51 units of housing for senior citizens and approximately 6,500 to 7,000 square feet of commercial/retail space. In April, 2002, the project was awarded \$624,000 of NRP Affordable Housing Reserve Funds.

A. Property Acquisition ~ No Change

B. Conditions Under Which Property May Be Acquired ~ No Change

C. Redevelopers' Obligations ~ No Change

IV. Relocation ~ No Change

V. Official Action to Carry Out the Redevelopment Plan ~ No Change

VI. Procedure for Changes in Approved Redevelopment Plan ~ No Change

VII. Method Proposed for Financing ~ No Change

Refer to the 1900 Central Avenue Redevelopment Plan for the method proposed for financing the 1900 Central Project.

To view this map, please contact the Minneapolis Community Development Agency, or the City Clerk's office

MINNEAPOLIS COMMUNITY
DEVELOPMENT AGENCY

**Modification No. 92
to the Common Development and
Redevelopment and Common Tax
Increment Finance Plan
(1900 Central Avenue)**

October 25, 2002

Prepared by Project Planning and Finance Department, MCDA
105 5th Avenue South, Minneapolis, Minnesota 55401

**MODIFICATION NO. 92 TO THE
COMMON DEVELOPMENT AND REDEVELOPMENT PLAN
AND
COMMON TAX INCREMENT FINANCING PLAN
October 25, 2002**

TABLE OF CONTENTS

(This Table of Contents is not part of Modification No. 92 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan, and is only for convenience of reference.)

SECTION A. COMMON DEVELOPMENT AND REDEVELOPMENT PLAN

		<u>Impact of Mod. 92</u>
Subsection A.1.	Mission Statement	No Change
Subsection A.2.	Definitions	No Change
Subsection A.3.	Description of Public Purpose	No Change
Subsection A.4.	Objectives of Common Project	No Change
Subsection A.5.	Structuring of Common Project	No Change
Subsection A.6.	History of Establishment and Modifications of Projects and TIF Districts Included in Common Project Area	Changed
Subsection A.7.	Estimated Public Improvement Costs	No Change
Subsection A.8.	Boundaries of the Common Project Area	No Change
Subsection A.9.	Development Program Requirements	No Change
Subsection A.10.	Modifications to Common Development and Redevelopment Plan	No Change
Subsection A.11.	Neighborhood Revitalization Program	No Change

SECTION B. COMMON TAX INCREMENT FINANCING PLAN

Subsection B.1.	Summaries of Participating Tax Increment Financing Districts	No Change
Subsection B.2.	Boundaries of Participating Tax Increment Financing Districts	No Change
Subsection B.3.	Statement of Objectives and Development Program, Including Property that may be Acquired	Changed
Subsection B.4.	Properties to be Deleted From Participating Tax Increment Financing Districts	No Change
Subsection B.5.	Development Activity in Common Project for	No Change

Which Contracts Have Been Signed and Other
Specific Development Expected to Occur

Subsection B.6.	Description of Financing	No Change
Subsection B.7.	Estimated Impact on Other Taxing Jurisdictions	No Change
Subsection B.8.	Modifications to Common Tax Increment Financing Plan	No Change
Subsection B.9.	Neighborhood Revitalization Program	No Change
Subsection B. 10.	Hazardous Substance Subdistrict	No Change

**MODIFICATION NO. 92
TO THE
COMMON DEVELOPMENT AND REDEVELOPMENT PLAN
AND COMMON TAX INCREMENT FINANCING PLAN**

(1900 Central Avenue)

October 25, 2002

Introduction

Four plan documents have been prepared to assist a proposed rental and homeownership project: this 1900 Central Avenue Redevelopment Plan, the 1900 Central Avenue Tax Increment Finance (TIF) Plan, Modification No. 4 to the Central Avenue Redevelopment Plan, and Modification No. 92 to the Common Development and Redevelopment and Common TIF Plan (the Common Project).

The new 1900 Central Avenue Redevelopment Project and Tax Increment District are created as a free-standing project area and tax increment district. The parcels included in the 1900 Central Housing Tax Increment Finance District remain within the existing Central Avenue Redevelopment Project Area, dated May 10, 1983. Because the Central Avenue Redevelopment Project Area is located within the Common Project of the City of Minneapolis, this Modification No. 92 to the Common Project and Modification No. 4 to the Central Avenue Redevelopment Plan have been prepared to accommodate the activities and financing related to the proposed project. However, the new 1900 Central Avenue Redevelopment Project Area and TIF District are **not** being incorporated into the Common Project and will **not** be subject to the existing Common Project obligations and commitments.

The **1900 Central Avenue Redevelopment Plan** creates a new redevelopment project area, establishes objectives for the redevelopment of the project area, identifies land uses for the redevelopment of the project area, designates parcels for acquisition, authorizes the creation of new housing tax increment finance district as a tool for carrying out portions of the redevelopment activities described therein.

The plans authorize public redevelopment activities and expenditures, and establish a budget for expenditures. Tax increment will be used to pay a portion of the eligible public redevelopment costs associated with the project, in addition to MCDA administrative costs.

By reference, Modification No. 92 to the Common Plan is incorporated into the Incorporated Project Documents, and in themselves are designated Incorporated Documents.

SECTION A. COMMON DEVELOPMENT AND REDEVELOPMENT PLAN

Subsection A.1. Mission Statement (No Change)

Subsection A.2. Definitions (No Change)

Subsection A.3. Description of Public Purpose (No Change)

Subsection A.4. Objectives of Common Project (No Change)

Subsection A.5. Structuring of Common Project (No Change)

Subsection A.6. History of Establishment and Modification of Projects and TIF
Districts Included in Common Project Area **(Changed)**

Several parties have expressed interest in developing the property since 1995. In 1997, the MCDA Board authorized the issuance of a RFP jointly with Hennepin County. Three proposals were received and Summit Environmental was selected by staff and the community to rehab the existing structure for their company headquarters, however, it was ultimately withdrawn due to costs and time constraints. In early 2000, the Board gave exclusive development rights to another developer to build an apartment building with some commercial space and underground parking, however, the developer was unable to close the financing gap and withdrew the proposal early in 2001. In April, 2002, the City Council approved NRP Affordable Housing Reserve funds for the Volunteers of America of Minnesota's proposed senior housing project at 1900 Central Avenue N.E.

The developer is proposing to construct a four-story, mixed-use project including 51 units of housing for senior citizens and approximately 6,500 to 7,000 square feet of commercial/retail space. In April, 2002, the project was awarded \$624,000 of NRP Affordable Housing Reserve Funds.

Subsection A.6. is modified to include the following information:

Project	Plan, Mod or Amendment	City Council Approval Date	Resolution Number
<i>Modification No. 92 to the Common Plan</i>	<i>Modification No. 4 to the Central Avenue Redevelopment Plan 1900 Central Avenue Redevelopment Plan</i>	<i>December 13, 2002</i>	<i>02R-_____</i>

Subsection A.7. Estimated Public Improvement Costs (No Change)

Subsection A.8. Boundaries of the Common Project Area (No Change)

Subsection A.9. Development Program Requirements (No Change)

Subsection A.10. Modifications to Common Development and Redevelopment Plan (No Change)

Subsection A.11. Neighborhood Revitalization Program (No Change)

SECTION B. COMMON TAX INCREMENT FINANCING PLAN (Changed)

Subsection B.1. Summaries of Participating Tax Increment Financing Districts (No Change)

Subsection B.2. Boundaries of Participating Tax Increment Financing Districts (No Change)

Subsection B.3. Statement of Objectives and Development Program, Including
Property to be Acquired **(Changed)**

The objectives for this project are described in Section III. Development Program of the 1900 Central TIF Plan.

Subsection B.4. Properties to be deleted from Participating Tax Increment Financing Districts (No Change)

Subsection B.5. Development Activity in the Common Project for Which Contracts
Have Been Signed and Other Specific Development Expected to Occur
(No Change)

See Section III. C. of the 1900 Central Avenue TIF Plan.

Subsection B.6. Description of Financing (No Change)

Subsection B.7. Estimated Impact on Other Taxing Jurisdictions (No Change)

Subsection B.8. Modifications to Common Tax Increment Financing Plan (No Change)

Subsection B.9. Neighborhood Revitalization Program (No Change)

Subsection B.10 Hazardous Substance Subdistrict Plan (No Change)

To view this map, contact the
Minneapolis Community Development Agency
or
The City Clerk's Office